Canada

# Tourism in Canada: Past, Present, Future

# Tourism in Canada: Past, Present, Future

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Policy Formulation
Policy, Planning and Coordination
Canadian Government Office of Tourism

# PREFACE

I am pleased to present the first comprehensive Government of Canada publication on tourism in Canada. There have been many publications on tourism, but this is the first in-depth report intended to inform the public at large about the industry as a whole. I hope that those active in the tourism industry in Canada, students and the general public will find it of interest and informative.

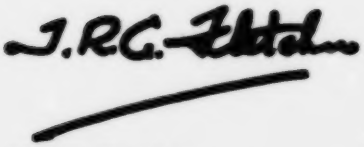
*Tourism in Canada: Past, Present, Future* is based on work undertaken by the Policy Formulation group of the Canadian Government Office of Tourism (CGOT), Department of Industry, Trade and Commerce. It reflects analysis that contributed to a Tourism Sector Strategy approved by the federal government in July, 1981.

Tourism is a multi-billion dollar business in Canada — to be more precise, one worth $16.5 billion in 1981. It is a business that involves Canadians across the country; it employs about a million people and numbers over 100,000 businesses. We Canadians ourselves are our own best customers. As hosts to domestic or international visitors, we can have an important influence on repeat visitors. Truly, tourism is everyone's business.

It is an industry of the future. Herman Kahn, the world-famous futurist, has predicted that in the year 2000, it will be the world's number one industry. The Government of Canada has made important investments in this industry; it is working with provincial and territorial governments and the private sector to help ensure that the Canadian tourism industry can realize its future potential.

The content of this report outlines the tourism industry in Canada, its markets, past and probable future trends, and factors affecting these trends as well as the involvement and influence of governments on tourism in Canada. It attempts to describe the nature of the tourism industry as well as to provide facts.

CGOT will be well pleased if the report increases awareness of the importance of tourism to Canada and all Canadians.



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# INTRODUCTION

Tourism as a factor in the pursuit of economic, cultural and other important non-economic objectives seems to have escaped the attention of those who measure economic variables until rather recently. This is perhaps because they saw it as too pleasant an activity to submit to their analytical scrutiny. More likely though, it is because of the complex way it influences and affects the economic fabric of society today. Whatever the reason, the realization that spending on activities associated with travel, leisure and outdoor recreation was approaching levels that demanded attention, changed the picture. Tourism has begun to receive the attention it warrants and so, is gaining recognition as a sector that responds to a vital modern need and provides an important source of economic fulfillment.

More than $16.5 billion was spent on tourism in Canada in 1981. Of this total, close to $3.7 billion was spent by foreign visitors to Canada making tourism the seventh largest single source of foreign exchange earnings for Canada. The Canadian tourism sector experienced a real growth rate of almost five percent per year as compared to 3.6 percent for the economy as a whole during the 1970s. It is estimated that the Canadian tourism industry, which involves some 100 thousand, mainly small, domestically owned businesses, now accounts for five percent of Canada's Gross National Product and nine percent of the total value of personal expenditures on goods and services.

Tourism is an important instrument of regional development providing much needed employment as well as promoting economic growth in the less industrialized regions of Canada. Spending on tourism is credited with providing employment for more than 1.1 million persons directly or indirectly in 1980. A sizeable proportion of this employment was in areas with few industrial alternatives. The tourism "plant" — the attractions, facilities and services, including infrastructure, such as highway systems and national parks, which is often the direct result of government tourism development programs, makes a considerable contribution to the quality of life of the local residents of both underdeveloped and developed regions. It is estimated that more than two billion dollars of public and private capital is required annually to support the development of "plant" to meet the demand directly created by travellers.

Tourism also contributes to important non-economic goals. It fosters the understanding of Canada by both Canadians and the peoples of other nations, enhances the awareness of the heritages of the various Canadian communities, provides opportunities for both physical and educational self-improvement through the constructive use of leisure time, and provides an essential break from the modern work place.

What is true for Canada is also true for the rest of the world...

Most national governments are involved in promoting their countries as travel destinations and/or contributing to their own tourism infrastructures. For example, there are over forty foreign national tourism offices in Canada trying to encourage Canadians to visit their respective countries. They have good reasons for doing so.

International tourism has become a major factor in the world economy representing one of the leading commodities in international trade. Its tremendous social and economic importance was recognized by the United

Nations in 1963 at a special Conference on International Travel and Tourism. There, a general resolution described tourism as "a basic and most desirable human activity deserving the praise and encouragement of all peoples and governments".

The World Tourism Organization (WTO) estimates that international tourism receipts — that is, expenditures by international tourists and travellers on goods and services as well as fares paid for transportation — have grown at an annual average rate in excess of 15 percent from 1973 to 1980 and reached $92.5 billion (U.S.) in 1980. They also estimate that the total number of international tourist arrivals — the number of tourists arriving in a foreign country — reached some 270 million in the same year.

Figures prepared by the Organization for Economic Co- operation and Development (OECD), which exclude payment of international fares, show that receipts from international travellers to its 24 member countries (excluding Ireland) increased by 14.8 percent in 1980.

The travel receipts and payment figures reported by the OECD also show that the OECD member countries spend more on international travel than they receive. In 1980, the deficit was some $4 billion (U.S.). A portion of that amount is presumably being spent by travellers originating in the more developed countries and perhaps therefore providing a source of foreign exchange to the less developed nations.

The international tourism industry is an important stimulus to growth. Its strong economic performance and its foreign exchange earnings have, understandably, encouraged a number of countries to focus their economic development and balance of payments activities on this sector.

To see how important tourism — both international and domestic — is to Canada, one need only consider that Canadians spent $12.79 billion in Canada and $4.8 billion abroad in 1981. These figures also explain why foreign governments devote so much attention to the marketing of their countries as travel destinations to Canadians.

One surely has to conclude that an activity that has experienced a high and sustained rate of growth throughout the 1970s, involves expenditures measured in the tens of billions of dollars per year and in which hundreds of millions of people participate, is a permanent and vital feature of the world economy, worthy of the attention it is receiving from the governments of the world, including Canada.

# WHAT IS TOURISM?

Reference to large sums of dollars and immense volumes of travel serves the purpose of impressing one with the importance of the tourism sector. One might ask though "What is tourism?". However the question is put, it must inevitably lead to a definition that can be dressed up in statistical facts which in turn inevitably lead to the identification of the host of activities that the tourist participates in but need not be exclusively "tourist" in nature.

How we define a tourist depends on what we want to say about him or her, and why.

To the travel agent, the tourist is perhaps the client purchasing a packaged tour while the non-tourist traveller is the one booking straightforward travel passage regardless of the reason for travel. An international air carrier may want to distinguish between a traveller who is likely to prefer a "no frills" package and the one who wants to fly "first class". So the kind of ticket purchased may be the best indicator of the difference between a tourist and a business traveller in the eyes of an airline.

Once the traveller disembarks, the airline's definition gives way to that of the accommodation industry. A hotel may want to distinguish between the convention delegate who will attend catered meal functions within the hotel and the visitor who is likely to use the hotel only as a place to sleep during his or her visit with friends or relatives.

A local attraction such as an annual stampede will want to make sure that all travellers, regardless of how they travelled or what accommodation arrangements they've chosen, are aware that the event is taking place and that they, the travellers, as well as all local and area residents are invited to participate. The event organizers may do this by promoting the event on airlines through brochures handed out to the passengers. They may even provide for local transportation companies to lay on special shuttle services from major hotels and motels to the site of the event, while arranging for special shuttle services from shopping centres, to make it easier for the local and area residents to find their way to the same event.

To the food and beverage industry, the tourist is a source of increased sales in its year-round outlets and of economic survival in those seasonally attractive regions such as beaches and ski slopes.

From the industry's point of view, who is a tourist depends in large measure upon which industry sub-sector is seeking his or her custom.

From the individual's point of view, one is a tourist when one seeks to get away from home for a change, or even a change of pace. Even then the family that spends a week under canvas at the same provincial campground every year may not see itself as a tourist family. Moreover, the school children on a canoe expedition in a remote part of a national park may not look upon themselves as tourists.

Since our purpose here is to discuss the importance of the tourism sector as a whole, we must see the traveller from the point of view of the industry that is serving his needs. We perceive the traveller as a visitor and classify him according to the reason for visiting and other factors characteristic of the visit such as the traveller's mode of transport, his origin and level of spending. In Canada, a

Canadian resident who travels at least 80km from home and who stays in a commercial establishment or in the home of a friend or relative is considered to be a visitor for statistical purposes. One should also bear in mind that the U.S. and overseas travellers are also "visitors" in Canada as well as to it.

The "tourist" may represent an important proportion of the total visitor population but we cannot equate the tourism sector with tourist or pleasure activities alone. The existence of a tourism industry does derive primarily from the traveller's desire to experience a change, or a change of pace, and his willingness to spend money in the pursuit of that experience. It is made up of those sectors of the economy providing services such as accommodation, food and beverages, transportation and recreation as well as the associated distribution and sales services. It is supplemented by public and private concerns organizing and providing a broad range of events and attractions. The industry operates on the profit motive and its promotional efforts are aimed primarily at increasing "tourist" travel. However, it also seeks the custom of those who contribute to tourism revenues without being specifically defined as tourists. They include travellers who visit for a variety of purposes.

The business traveller, for example, draws on many of the same facilities as the "tourist", while the local resident frequents recreation and cultural facilities that often serve the "tourist" trade as well. The economic health of the tourism industry depends on the volume and pattern of its customers' use of a great variety of facilities and services, and it counts both local residents and all classes of visitors among its valued customers. The tourist, or pleasure traveller, is but one of the classes of visitors catered to by the industry.

Tourism, then, is the business of attracting visitors and catering to their needs and expectations. Visitors are travellers who will return home after their visit and who may return to pay another visit.

The definition is deceptively simple but those who measure economic variables can work with such a definition, and the statistical measures they arrive at have a lot of meaning to those who want to understand the tourism sector and formulate plans and policies to foster its growth and development.

# THE MARKET FOR CANADA'S TOURISM PRODUCT

## Pleasure Travel

Man's curiosity has always favoured travel. Just who could travel and where one could go in relative comfort though, has always been a function of available time, money and means of transportation. In addition the potential traveller's awareness and perception of a destination influenced his or her choice of where to go.

The advent of modern communications has had a great influence in whetting the appetite for travel and the popularization of destinations that were hitherto unknown and perhaps inaccessible. The trends towards higher incomes and shorter work weeks have increased the effective demand for travel, and modern means of transportation have made virtually all parts of the world accessible.

Besides the natural inducements to travel for pleasure or personal reasons, the dispersion of economic activity around the globe and international migration have reinforced the need to travel.

The tourism industry that has emerged to cater to the needs and expectations of the traveller is serving mass domestic and international markets of considerable size and growth potential.

There are three important dimensions to the Canadian tourism industry's market. The first is geography. Traditionally, Canada, the United States and the rest of the world or "Overseas" are treated as Canada's three major geographical markets. It is quite clear though that these are definitions of convenience since it is obvious that for a country as vast as Canada, one region such as the Maritime Provinces is geographically much more accessible to some specific foreign market than is some other region such as the Western Provinces. Nevertheless, the distinctions are important if only because an American traveller can enter Canada pretty well at will and by any means of transportation while the Overseas traveller must cross the oceans by air or sea.

The second dimension is the visitor's reason for travel. Again, traditionally a distinction is made between the visitor travelling for pleasure, for business and associated purposes and to visit friends or relatives. The importance of this distinction is illustrated by the fact that the business traveller is likely to stay in a hotel while the person visiting friends or relatives is likely to reside with his hosts. Their spending patterns differ and their decisions are influenced by different factors.

The third is economics in a very broad sense. It includes factors such as growth of income and changes in lifestyle such as an increase in leisure time, that influence the individual's decision to travel. It also includes other factors like foreign exchange rates and the price and availability of fuel, that could influence the decision to travel outside one's home country.

All of these dimensions are altering as the world shrinks, as the age of the population of the western world increases, as attitudes and lifestyles evolve, and as the governments of most countries enter the tourism market place.

## The Domestic Market

Canada is its tourism industry's best market. Besides representing more than three quarters of travel spending within Canada, it is comprised of what may be

the most travel prone population in the world. Canadian travellers spend one third as much abroad as do their American counterparts although the American population is ten times that of Canada.

That Canadians tend to travel much more than residents of other countries is probably explained by the vastness of the country and the large numbers of residents that have either extra-national or extra-regional roots. They are acclimatized to distance and have tangible personal or business reasons to go to other places.

One illustration of the migratory character of the Canadian population is the fact that the population of Alberta has grown at three times the rate of growth of the population of Canada since 1976. The new residents have roots elsewhere and the inclination to maintain some contact with the friends and relatives they've left behind. They probably also have a desire to explore their new home province as well as the equally appealing one west of the Rockies. They constitute a new pleasure travel market for the West — including the American West — and a new "visiting friends and relatives" market for their provinces or countries of origin.

The migration towards Alberta, or more properly, the westward migration of the Canadian population, influences other factors of importance to the tourism industry. The spreading of the population across the country also spreads the membership of national organizations which, in turn, increases the pressure on them to take their annual meetings around the country. Since the population migrates in response to prior or anticipated business and economic opportunities, its impact is also felt on business travel. National, commercial and industrial concerns are locating more frequently outside the traditional head office cities, a phenomenon that is made possible in part by the sophistication of modern transportation and communications technology and which, in turn, fuels the demand for travel.

The basic structure of Canada's population has also been changing in important ways. The post-war baby boom that sent a tidal wave of children through the school system is now invading the labour force. Because the birth rate plummeted in the late sixties the tidal wave effect will begin to reverse itself at the turn of the century. In the meantime, the immense growth of the young adult population, coupled with a low birth rate and an increased rate of female participation in the labour force, is having an impact on the domestic travel market.

The impact of demographic shifts is not spread evenly across the country. Young adults are more likely to migrate towards regions offering the best employment opportunities. Since the young are more likely to be seeking employment, (being new entrants to the labour market), they will dominate the migrant population. The tourism industry will be servicing a preponderantly young adult population including a greater proportion of two income families in some regions, while it services a more mature and traditional population elsewhere in the country.

Inflation and energy prices have taken their toll of the tourism market. If inflation is perceived as a cyclical problem that will be resolved through economic means, and if the cost of energy is perceived as a problem that will be resolved through technological means then, the experience of the late 1970s can properly

be seen as one of adjustment to economic, demographic and technological changes. Predicting the future of the tourism industry therefore takes into consideration behavioural and attitudinal studies as well as trend analysis.

One thing is sure: the very nature of Canada and of its population, taking into account the changes that have been wrought during the 1970s, indicates an increase in the demand for all the traditional domestic travel markets, that is, pleasure and business and convention as well as visiting friends or relatives.

The real challenge lies in making Canada competitive in the traditional American and Overseas markets. A tourism industry that is internationally competitive will promote domestic as well as international travel in Canada. By the same token, an industry that is not competitive will continue to lose part of its domestic market to foreign destinations.

**The United States**

The social, economic and demographic changes that have been experienced in Canada are also characteristic of the United States. The post-war baby boom, the plummeting of the birth rate in the 1960s, the emergence of women in new career and professional roles, the awakening to conservation, the desire to understand one's community, the increase in leisure time, the rise in personal incomes during the 1970s, are all characteristics that Canadians and Americans share. The communications, information and high technology explosions are also common to both peoples, as is the border that the citizens of either country can cross at will.

More than 100 million Americans live within 500 miles of Canada, a country is easy to get to and, according to those who have been here, an interesting and beautiful country to visit. Yet the American traveller spends only one percent of his tourist dollars in Canada, if that. In fact the decline in U.S. visitors to Canada in the late 1970s was the major problem in Canada's escalating travel deficit.

1975 marked the first and thereafter increasing deficit with the United States since 1961, as fewer Americans travelled to Canada and more Canadians travelled to the United States. This deficit coincided with an unusually rapid increase in Canada's travel price index, which was partially attributable to the increase in fuel prices. The 1974 energy crisis caused by the curtailment of oil exports by OPEC nations reinforced an already established trend for Canadian mass mode travel to the southern United States, encouraged by the increasing availability of cheap air fares and travel packages, distinctly lower costs of tourism goods and services in the U.S., reinforced by a slight premium on the Canadian dollar.

Travel prices in Canada increased at a faster rate in the period from 1971 to 1978 than did similar prices in the United States. It was only in 1979 that the U.S. travel price index equalled the Canadian scale. In 1980 and 1981 the travel price index was higher in the U.S. than in Canada. Because of increasing energy costs in Canada, the Canadian travel price index was once again higher than that of the U.S. in the first half of 1982. Trend analysis of disposable income during this period reveals that Americans spent a smaller proportion of their disposable income on travel than did Canadians. In Canada travel declined as a percentage of their disposable income as well.

The decline in visitors from the United States was further exacerbated by the dramatic increase in crude oil prices promoted by political upheavals in the Middle East in 1979. This tended to curtail United States travel as Americans feared gas shortages and reinforced a trend towards shorter and more frequent trips by automobile closer to their homes.

On the positive side, as the United States economy recovers, the Canadian share of the growing United States travel market, including pleasure and business travel as well as VFR travel, should grow. Canada's price competitiveness and attractiveness as a travel destination has improved considerably since 1978 for the following reasons: a heightened realization of the importance of tourism; the concerted efforts by all levels of government and industry officials to solve tourism problems; federal liberalization of the air travel regulations, thus making domestic air travel more competitive; a favourable exchange rate with United States; the availability of affordable travel packages and the considerable development of Canada's tourism plant which was designed to compete with international destinations and to meet tourism demands in the 1980s.

Despite the progress that has been made in terms of Canada's price competitiveness, product improvement and renewed efforts of Canadian governments, there remain aspects of the U.S. travel market which must still be addressed. The American travel market is not sufficiently aware of what Canada has to offer as a tourist destination, and the American traveller who is aware has a negative perception of Canada, unless he or she has been here. That this is true of the United States and rather less true of Overseas markets is, perhaps, a result of the fact that the Americans holidaying on this continent do so primarily in their own automobiles. They do not get a sales pitch from a travel agent who is fully documented on the destination being sold. At the same time, the American traveller is bombarded with "Visit America" promotions which in recent years have even seen the National Geographic Society featuring National Parks and other of the more appealing regions of the Unites States that the American traveller should visit and get to know.

Canada and the United States are in direct competition for the North American tourist dollar in the holiday travel market. Canada is at somewhat of a disadvantage as far as warm weather destinations are concerned. The balance tips in its favour, however, when it comes to natural and wilderness destinations. What then can Canada offer to the North American traveller? Part of the answer to that question lies in the relative densities of Canada and the United States. If the demand for holiday destinations continues to grow as expected, then Canada will be offering "space". There is no "space" on the American Atlantic Coast in July. There is plenty on the Northumberland coast and it is not that much further for residents of the Eastern Seaboard to travel. A further advantage is that Canada's spacious, scenic outdoors, located within minutes of our major urban attractions, offers the best of both to our visitors. In fact the Canadian Government Office of Tourism highlights this advantage as part of its advertising strategy.

Canada's potential for expansion of natural holiday and recreation facilities to the United States automobile market is considerable. However, the Canadian industry will have to make a serious effort to promote Canada in the United

States and to provide the American holiday traveller with the information he needs to develop an interesting Canadian itinerary.

The North American holiday traveller's perception of a particular holiday destination depends on promotion and information. If the North American traveller is becoming more interested in the natural, cultural and historical aspects of travel destinations than in simply relaxing on the beach or on the greens, then the appeal to the market has to be made before the traveller gets behind the wheel, and the promise must be made good at the destination. In the case of a packaged tour there is a intermediary who can do the itinerary planning job. In the case of the automobile traveller there is only the occasional travel information booth and an address to write to. The automobile traveller is left to plan his or her own itinerary without the benefit of the information that may or may not be available at the border or at the destination.

The predominance of the automobile as the North American mode of travel points up a major difference between the United States and the Overseas travel markets. The decision to take a trip and where to go requires less advance planning when one intends to travel in one's own vehicle. Consequently the automobile traveller is susceptible to promotional efforts and en route circumstances that may not influence the air, bus or rail traveller. The United States visitor is, therefore, more reactive to current events and more responsive to local promotions than the Overseas visitor. Add to this the requirement that the automobile traveller develop his or her own itinerary, and the consideration that three quarters of North American holiday travellers drive their own vehicles and one begins to see the vital importance of effective promotion and "information dispensing" in the North American market.

**Overseas**

The Overseas travel market has been a bright spot in Canada's tourism business during the 1970s, and the growth of this market to Canada has been in line with worldwide trends. The factors that contributed to this growth included a very favourable exchange rate in the late 1970s, the availability of reasonably priced trans-Atlantic airfares, the development of a tourism plant which was cost-competitive and attractive vis-à-vis other international destinations and the fact that bilateral air negotiations through 1979/80 and 1981/82 opened Canada's West to direct access from Britain and West Germany.

Forecasters are relatively optimistic about the future growth prospects for international travel, because it has shown a strong resistance to economic difficulties and because of the strength of the social factors which place an increasing importance on recreation and tourism. In Europe, studies carried out by the Institut du Transport Aérien de Paris in the late 1970s indicated that there have been changes in the justification for holidays — a desire to find a different environment or "to get away from it all", rather than physical rest. The studies also indicate an increasing independence and desire to travel on the part of women. Increased leisure time has encouraged travel in all segments of the European population. Australia's strong economy has increased the size of the work force, disposable incomes and leisure time. Japan's strong economy is contributing to the workers' bi-annual bonuses, based on company profits, which

are normally used to purchase luxury products. There is a significant shift in the Japanese attitude away from the traditional concern for work towards enjoying their leisure time. The Mexican travel market was expanding rapidly until recently when the peso was devalued and further subjected to export control. Optimism remains that a growing class of world travellers will be maintained.

These are a few of the changing socio-economic characteristics in Canada's overseas markets which combined with Canada's existing reputation for "great outdoors close to great indoors" and a welcoming attitude towards visitors, should strengthen demand for a Canadian "get away from it all" type holiday.

The value associated with a Canadian holiday will be an important consideration for overseas travellers choosing Canada over other competitive long-haul destinations. Since airfares make up a substantial portion of the total holiday cost, increased airfares will have a negative effect on long-haul destinations including Canada.

The slight shift to Western Canadian destinations in the late 1970s will probably continue until 1987. The promotional build-up for world class events (the **Universiade '83 Games**, Edmonton; **Expo '86**, Vancouver; and **Winter Olympics '88**, Calgary), new Western plant developments and more direct European flights will influence this trend. Ontario will continue to dominate in arrivals from overseas markets because of its large visit friends and relatives market, Toronto's importance as an international gateway, well-known events and attractions and well-funded tourism marketing efforts. The other provinces and territories are not likely to gain market share.

The continued success of Canada as a destination for Overseas travellers will depend upon how well we read and understand the basic factors affecting the market and how well we can adjust our products, and the information dispensed about those products, to meet the emerging needs of the tourists.

**Business and Convention Travel**

The business and convention market is one that can be committed to a destination well in advance. It also provides prior warning of its coming and so allows the host destination to plan and prepare. It offers the spin-off of pre- and/or post-convention travel and its promotion therefore complements pure tourist promotion endeavours. Generally speaking, the business and convention market has no geographical boundaries. It is characterized by being a form of highly organized travel depending heavily on mass transport, primarily air, and commercial accommodation. It is also much less seasonal than the other traditional markets.

The economic importance of the convention market alone is reflected in the admittedly conservative estimate, reported by the Canadian Association of Convention Bureaux, that the nearly four thousand conventions held in Canada in 1980 generated $482 million in spending. More than 28 thousand American trade, professional and voluntary associations hold nearly a quarter of a million meetings a year, which generate $115 billion in spending in the United States. In 1980, more than 1,600 international associations held some 1,700 international congresses of which 145 were held in Canada.

The American business and convention visitor to Canada in 1980 spent, on average, $207 as compared to an average of $145 for other American visitors staying one or more nights. The Overseas business and convention visitor to Canada in 1980 spent an average of $529 as compared to an average of $406 for other Overseas visitors.

Many international associations with headquarters in the United States have a large complement of Canadian members. Many of those with headquarters in Europe have a growing Pacific membership. The practice of rotating conventions among an association's member countries puts Canada in an ideal position of geographic bridge between the Atlantic and Pacific, as well as a legitimate bidder for conventions organized by "American" international associations. The outlook for the Canadian tourism industry in this market is as good as the promotional efforts that are undertaken and the facilities offered to the potential delegates. The $400 million currently being invested in convention and exhibition facilities across Canada should enhance the industry's ability to sell Canada as a site to the lucrative international convention, meeting and exhibit market.

**Visiting Friends or Relatives**

The VFR market — "visiting friends or relatives" — differs markedly from the business and convention market in that it is not "organized", does not rely heavily on commercial accommodation, is very seasonal and is less susceptible to promotional efforts. The Overseas market does, of course, rely heavily on commercial air transport and therefore can be influenced in an important way by cost factors such as the lowering of airfares and exchange rates. The United States market is heavily oriented to the automobile and therefore is less responsive to changes in commercial tariffs.

The VFR visitor is more of an Overseas than a United States market phenomenon. Travellers from Overseas visiting friends and relatives in Canada in 1980 represented 43 percent of Overseas visitors to Canada while the same class of visitors from the United States represented only 17 percent. Further, the number of Overseas VFR visitors to Canada increased each year from 1972 to 1980 resulting in an average 15.1 percent annual growth rate over the period. The same class of visitors from the United States, on the other hand, dropped in number in six of the eight years resulting in a 2.4 percent average annual decline from 1972 to 1980. The decline in travel to Canada from the U.S., and therefore in the VFR market, is expected to reverse in the eighties as the U.S. economy recovers and Canada continues to take steps to enhance its competitiveness as a travel destination.

The growth experienced in Overseas VFR travel as well as in pleasure and business travel to Canada is expected to continue, since it results in part from economic factors such as rising incomes and increasing leisure time. The expansion and improvement of Canada's tourism and travel facilities should enhance the potential of these markets as well.

Much more has to be learned about this market though, for its full potential to be realized. It does not represent one of the more lucrative classes of

travel if measured in terms of spending per visitor, but its potential for growth is considerable. It could also well be that efforts to promote VFR travel to Canada would have a restraining effect on VFR travel from Canada. Do "multi-national families" decide on the basis of cost and "destination attractiveness" in which member's country they are going to meet?

## Influences on Travel

The cost of travel is an important determinant of travel decisions. There are however other very important influences.

The growth of real personal disposable income, for example, has a decided impact on the demand for travel, as it adds to the family's ability to set aside funds for travel. The proportion of disposable income spent on travel by Americans is actually declining and the impact is most noticeable in their spending on international travel. Canadians, on the other hand, are spending a growing proportion of their disposable income on international travel and their disposable income has grown faster than that in the United States during the 1970s.

The 1960s and 1970s have witnessed dramatic demographic and lifestyle changes that have had an important impact on tourism. As an example, there were 2.6 million Canadians in the 30 to 39 year age group in 1971. In 1979 the figure had risen to 3.4 million and it could increase to 5.0 million by 1995. This age group spends heavily on leisure and travel activities and is therefore having an important influence on tourism services. There is also a substantial number of two income households that can afford to spend on travel and leisure activities, particularly of the weekend and second vacation variety. The 1970s had two energy crises, bringing increased prices, and spot energy shortages in the U.S. The energy crisis in 1973-74 contributed to the marked decrease of United States visitors to Canada from 1975 to 1978.

The relative cost of travel is very important when assessing Canada's ability to compete for the tourist dollar, especially with the U.S., its major competitor. In promoting a tourism product however, the cost of travel as well as the impact of critical events such as the energy crisis cannot be considered in isolation from the basic reasons for wanting to travel, however strong their initial impact. The 1970s were characterized by world wide economic, technological and demographic upheaval. The trends in consumer activities that have been tracked during that decade are reflective of adjustments to the new lifestyles and attitudes predicated by these upheavals.

The market factors that the tourism industry must address in the 1980s are the changing tastes in the markets it already serves, in Canada and abroad, in order to capture emerging market trends and areas.

# THE EXPERIENCE OF THE 1970s

## The Deficit on Travel Account

Of the three major geographical markets served by the Canadian tourism industry, the domestic market is by far the most important. Canadians travelling in Canada accounted for 77.4 percent of the 16.5 billion tourism dollars spent in Canada in 1981, while American and Overseas visitors accounted for 15.0 and 7.6 percent respectively. In 1972, the corresponding figures were 75.9, 20.0 and 4.0 percent (Table 1). Tourism expenditures in Canada increased by an average of 14.2 percent from 1972 to 1981 with expenditures by Canadian residents, American and Overseas visitors increasing by 14.4, 10.4 and 22.1 percent respectively.

In 1981, total spending by American and Overseas visitors to Canada reached $3.7 billion, while total spending by Canadian residents travelling abroad reached $4.8 billion. The corresponding figures for 1972 were $1.2 and $1.5 billion (Table 2). This evolution in spending levels is reflected in Canada's deficit on travel account which is the difference between travel dollars spent by Canadians travelling abroad and travel dollars spent by foreign visitors to Canada.

In 1975, the total travel account deficit increased to $727 million following five years of deficits in the $250 million range. The deficit continued to increase to its 1978 peak of $1.7 billion falling back by more than $600 million in 1979 only to increase to its 1981 level of $1.1 billion. As illustrated in Chart 1, the major problem area with regard to the deficit on travel account is the Canada-United States travel spending record. The surplus experienced until 1974 was transformed into a growing deficit as of 1975. The magnitude and the evolution of the deficit on travel account, particularly with the United States, provide a stark illustration of the need to implement a program to promote travel in Canada by Canadians as well as visitors from abroad.

In terms of volume of travel and spending levels then, it is obvious that the domestic market ranks well ahead of the American and Overseas markets in importance to the Canadian tourism sector. In terms of the growth experienced during the 1970s, the Overseas market surpassed both the domestic and American markets. It is also a fact that Canadian spending abroad increased at a faster rate (14.3 percent) than Canadian spending at home (14.4 percent) from 1972 to 1981. The volume and growth trends experienced during the 1970s strongly support the view that each of the three major geographic markets for the Canadian tourism product are essential targets for the Canadian tourism development and promotion programs of the 1980s.

## Canada-United States

More than 39 million visitors from the United States entered Canada in 1981. Of these, some 11 million stayed for one or more nights, spending about $1.8 billion (excluding international passenger fares). Close to 50 percent of this amount was spent during the months of July, August and September. The American visitor stayed in Canada an average of 4.7 nights and spent an average of $169 (Table 4). (These latter figures do not include "same day visitors" that numbered some 28.8 million).

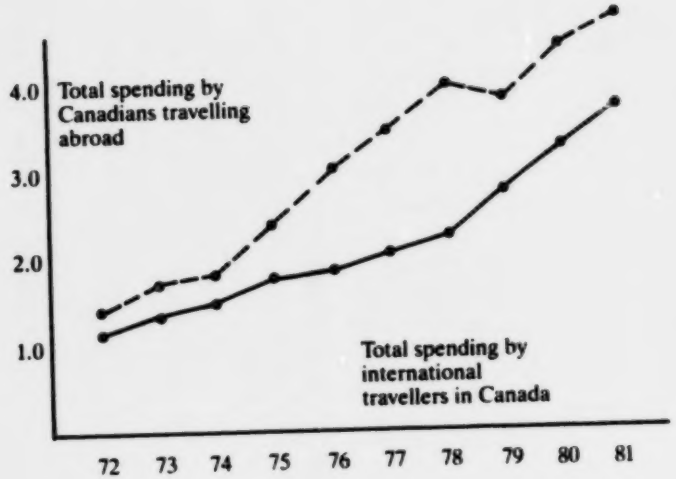
In the same year, the United States received some 33.6 million visitors from Canada. Of these, 10.8 million stayed for one or more nights and spent some

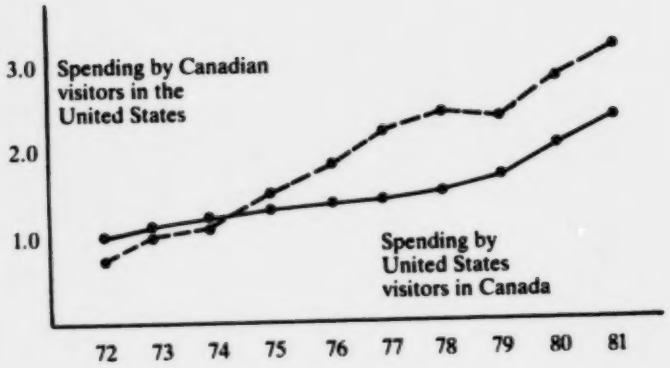
## CHART 1

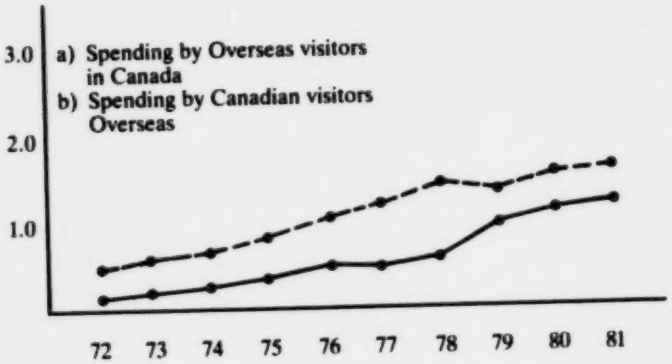
**SPENDING BY INTERNATIONAL TRAVELLERS IN COUNTRY OF DESTINATION AS REFLECTED BY THE ESTIMATES OF THE BALANCE OF PAYMENTS ON TRAVEL ACCOUNT BETWEEN CANADA AND OTHER COUNTRIES**

**(BILLIONS OF $)**

**1972 TO 1981**





3.0
2.0
1.0
Spending by Canadian visitors in the United States
Spending by United States visitors in Canada
72 73 74 75 76 77 78 79 80 81



$2.4 billion in the United States (excluding international passenger fares). Approximately 36 percent of this amount was spent during the months of July, August and September. They stayed an average of 7.1 nights and spent an average of $230. The Canadian "same day" visitors to the United States numbered 22.8 million.

The flow of visitors over the Canada-United States border and these visitors' trip characteristics reflect some important differences between the Canadian and American travellers during the 1970s. First, Canada receives its greatest number of American visitors during the summer months illustrating Canada's attractiveness to the pleasure seeker as a summer destination. The United States on the other hand, receives a more seasonally balanced flow of Canadian visitors illustrating its appeal as both a summer and winter destination for visitors from its northern neighbour; the appearance of southbound air charters in Canada in the mid-nineteen seventies facilitated Canadians' winter travel south.

Second, the desire to travel appears to be much more characteristic of Canadians than of their American counterparts. The United States, with a population of some 230 million generates about 11 million visitors (staying one or more nights) to Canada. Canada, with about a tenth of that population, generates the same volume of travel to the United States.

Third, the Canadian visitor stays at his or her destination longer and so spends more than his American counterpart travelling in Canada.

As mentioned earlier, the American share of total travel expenditures in Canada dropped to 15.0 percent in 1981 from 20.0 percent in 1972. The 1971 figure was 25 percent. This reduction in the share of expenditures was the direct result of a drop in the number of American visitors to Canada which was only arrested in 1979 (Table 3).

A major factor in the reduction in the number of American visitors to Canada is the cost of travel which, as measured by the Travel Price Index (TPI), was increasing faster in Canada than in the United States (Table 7) until 1979.

Chart 2a shows the number of U.S. visitors to Canada and Canadian visitors to the U.S. on the basis of a length of stay of one night or more. It illustrates the decline in the number of American visitors during the period 1971 to 1979; and it suggests that this trend may have stabilized during the more recent years of 1978 and 1979. Chart 2b highlights the Travel Price Index for each of Canada and the United States. It shows that the Travel Price Index has been higher in Canada than in the United States. For 1979, the trend of a more rapid increase in travel prices in Canada vis-à-vis the U.S. seems to have changed. However, a change in the formulation of the U.S. index for that year has altered direct comparability with previous year data and with the Canadian index. During 1971 to 1979, in both countries, the growth in Travel Price Indices has outpaced that of the respective Consumer Price Index. This has meant that in both countries, tourism prices have risen faster than the prices of all goods and services. In effect, the trends in Canadian visitors to the United States and American visitors to Canada seem to reflect the trends in travel costs.

Spending by American visitors to Canada increased at an annual average

## CHART 2

## TRAVEL AND PRICE STATISTICS — CANADA AND UNITED STATES

**(Millions of Visitors)**

Chart 2(a)
Comparison of Number of Canadian and United States Travellers

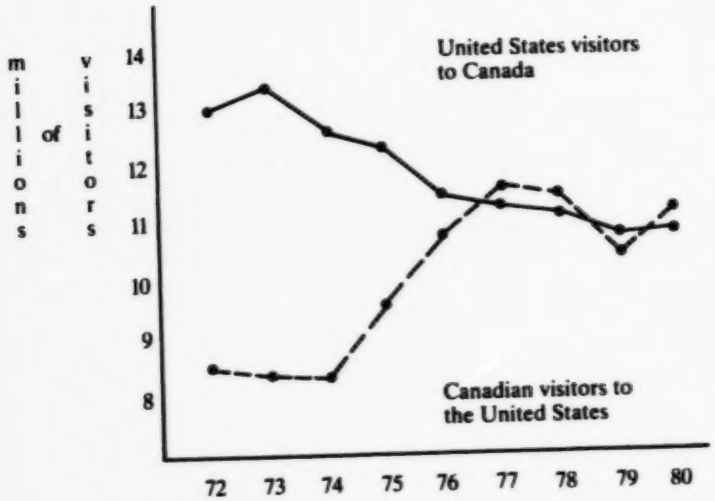
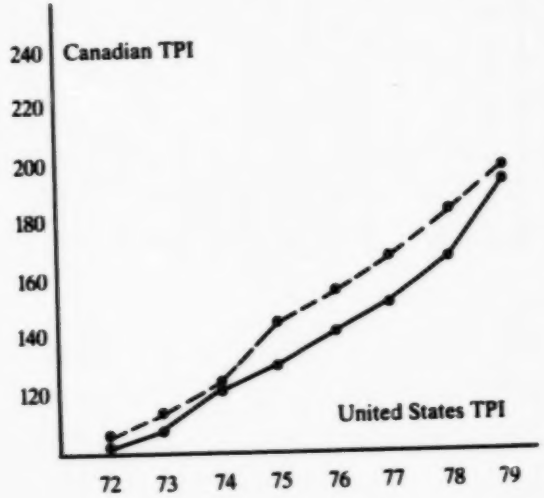



Chart 2(b)
Comparison of Canadian and United States Travel Price Indices (TPI)
1972 to 1979



rate of 10.4 percent from 1972 to 1981, lagging well behind the 13.9 percent increase in total travel spending in Canada. This partly reflects the fact that American travel spending abroad has not been keeping up with the worldwide increase in travel spending (Table 5). In fact, the Canadian share of the American travel dollar declined over the 1974 to 1978 period.

That the trend in American visitor spending in Canada — a 10.4 percent average annual increase — is healthier than the trend in American visits to Canada — a 1.9 percent average annual decline — is partly explained by the increased cost of travelling. However, the fact that business, convention and employment travel constitutes a larger proportion of the reason for travel in 1981 (12 percent) than in 1972 (8.0 percent) is also relevant. The business traveller tends to spend more than the pleasure traveller although he may not stay at his destination as long.

The full and lasting impact of the concern over fuel prices and availability on transborder travel has yet to be assessed. The combination of rapid gasoline price increases, the shift from the production of leaded to unleaded gasoline and the outright shortages experienced in some American regions surely had a depressing impact on automobile travel. How the North American traveller will adapt as the situation stabilizes is a question worthy of considerable study since, combined with the demographic and socio-economic factors also experienced during the 1970s, we could be witnessing the reinforcement of the fundamental change in the pleasure traveller's attitude towards holiday travel.

**Trends in Canada's Major International Markets**

Although the Overseas market is the smallest of Canada's three major geographical markets, it has demonstrated the most dramatic growth during the 1970s, averaging 22.1 percent from 1972 to 1981 (Table 1). Visitors from the United Kingdom, West Germany, Japan and France accounted for the lion's share of this growth.

Visitors to Canada from countries other than the United States, who stayed one or more nights, numbered 1.8 million in 1981 and spent about $815 million in Canada (excluding fares to Canadian carriers). As in the case of American travel to Canada, the greatest volume (48 percent) of spending by Overseas visitors occurred during the months of July, August and September. The Overseas visitor stayed in Canada an average of 13.7 nights and spent an average of $442 (Table 4).

The number of Canadian visitors to countries other than the United States was 1.5 million in 1981 and they spent about $1.2 billion. The Canadian visitor stayed abroad an average of 21.8 nights and spent an average of $783. The seasonal pattern of Canadian travel Overseas displays the same "evenness" as that of Canadian travel to the United States except that the peak is in the first rather than the third quarter.

Two important differences distinguish the Overseas from the American visitors to Canada. First, 37 percent of Overseas visitors arrived by land transport as compared to 79 percent of American visitors, and second, 43 percent of Overseas visitors came to visit friends or relatives as compared to 17 percent of American visitors. It is also important to note that 55 percent of all Overseas

visitors to Canada, including all of those arriving by land transport, came to Canada via the United States.

Comparing the patterns of Overseas travel to Canada and Canadian travel Overseas points up similar differences characterizing the Canada-United States flow. Canadians stay abroad longer than the Overseas visitor stays in Canada and spend proportionately more per trip. Also, Canadian travel Overseas is spread more evenly over the year than is Overseas travel to Canada. There is however a pronounced difference in reason for travel: of the total Overseas visitors to Canada staying one or more nights in this country, those visiting friends or relatives accounted for 43 percent of person trips, 57 percent of person-nights and 38 percent of expenditures as compared to 17, 20 and 9 percent respectively for United States visitors travelling in Canada for the same purpose.

The historical increases in average spending per American visitor in Canada, from 1972 to 1981, are in line with increases in the cost of travel as measured by the Canadian Travel Price Index. The same appears to hold true for average spending by Canadians in the United States, in relation to the American Travel Price Index. It appears also, that there has been no significant change in the seasonal pattern of non-resident travel in Canada, although the seasonal pattern of Canadian travel abroad has levelled out somewhat.

The trends in the volume of international travel and the associated expenditures are more revealing. The number of United States residents entering Canada for visits of one or more nights declined steadily from 1972 to 1979 and levelled out over 1979, 1980 and 1981. The reverse flow of Canadians to the United States peaked in 1977 and had not quite returned to that peak level in 1981 following a marked decline in 1979. The flow of Overseas visitors, on the other hand, increased in each year from 1972 to 1981 except for 1976 while the flow of Canadians Overseas began to decrease in 1979.

With the exception of the United States, tourism expenditures by all parts of the world considered to be Canada's major markets experienced real growth from 1971 to 1978. Tourism expenditures by the United States declined, by an average of 2.4 percent in real terms over this period, as compared to a dramatic 20 percent average annual increase experienced in the Overseas markets. The Canadian market also expanded but the increase in Canadian travel abroad, along with the decline in the number of American visitors to Canada, overshadowed the increase in Overseas travel to Canada. Canada's share of the world travel market decreased both in terms of the number of visitors to Canada and spending by international travellers expressed in U.S. dollars.

Canada's share of international travel dollars (U.S.) spent in OECD member countries declined from 6.2 percent in 1972 to 3.3 percent in 1980 (Table 5). The United States, on the other hand, maintained its share overall although it did experience an increase from 1972 to 1976. The amount spent in OECD member countries represents over 75 percent of total worldwide spending by international travellers.

The deterioration of Canada's tourism market in the early and mid-seventies is partly the result of factors that influenced the cost of travel in Canada relative to other countries, particularly the United States. The increasing costs of

travel as reflected by the Travel Price Index, coupled with the high exchange value of the Canadian vis-à-vis the United States dollar, made the United States a more attractive destination for American, Canadian and Overseas travellers. The growth in Canadian disposable incomes increased the demand for travel and the high transport fares in Canada, maintained by a rigid regulatory framework, further combined to fuel the flow of Canadian visitors to the United States.

In the late 1970s, several factors combined to improve the competitiveness of Canada's tourism industry. Not the least important of these was the drop in value of the Canadian dollar. Air travel regulations were liberalized making domestic air travel more competitive. The provincial sales tax on hotel rooms was removed in Ontario and Quebec and energy price increases were held well below those in the United States. Bilateral air negotiations with Britain opened up the West to direct air access from Great Britain.

One must conclude that the solution to the travel deficit problem rests in increasing the attractiveness of Canada as a destination for the American and Overseas travellers reversing the trend in American visits, and in maintaining the growth of Overseas visitors to Canada or even in encouraging Canadian travellers to visit their own country. And one would assume that the cost of travel would figure rather highly in the definition of "attractiveness". It is clear though, that there are other factors that have an important influence on travel decisions not the least of which is the potential traveller's perception of Canada as a travel destination.

# CANADA'S TOURISM INDUSTRY

## The Setting

Canada is endowed with many natural and man-made features that provide a great setting for a healthy tourism industry. It is blessed with a variety of scenic and dramatic landscapes and an environment generally free from the despoiling effects of pollution. Its cities are among the finest in the world, offering the visitor high standards of personal safety as well as cleanliness, while providing a growing range of first-class facilities. Many are gateways to vacationlands.

The vastness of Canada and the distribution of its small population have contributed to the dispersal of its communities and of its tourism facilities. The predominance of the automobile, resulted during the 1950s and 1960s, in the establishment of a primarily roadside industry, tailored to the needs of the family on its annual two-week holiday. Canada's climate predicated the emergence of a seasonal industry, a development that was also encouraged by the traditional school year since that was the time to take a holiday and the time the student work force was available. Gasoline was cheap. Father was the bread-winner. The kids were out of school in July and August. The Canadian tourism industry reflected these facts. It also struggled to compete for organized tours usually made up of retired couples and it vied for the outdoors type — hunting and fishing.

But those are the facts of the past. The roadside facilities are still there but they have a different character. Motor hotels with golf courses, swimming pools and saunas are replacing the cabins. Restaurants are licensed. Campgrounds have three-way hookups. Private fishing camps have become resorts and some stay open year-round. People are stopping at historic sites to read the inscriptions and they're visiting museums. The pleasure traveller is well served in the hotel dining room while the other guests attending an annual meeting are served in a well-appointed community center by a local catering firm. In another city, you may not have to step outside, regardless of the reason for your visit, unless you want to visit another site. Major centres are investing in convention centres. World class sports facilities abound. The quality, variety and sophistication of Canadian restaurants have improved considerably.

Consider as well the railway stations, airport terminals, four-lane highways and bridges that have been built since the early 1960s. Today's tourism industry is a far cry from that of the past and today's traveller is demanding even more.

Tourism is both an industry and a response to a social need. Until recently it has not commanded the attention it deserves, by those who measure economic factors, because it is an agglomeration of activities that are, for the most part, interwoven with other more easily measured economic phenomena. The more visible parts of the industry such as airlines, hotels and railroads were perceived as being the industry. The emerging social need for leisure activities and recreation were seen as being met by another industry, while the need for convenience food, day care and commercial household services were seen as belonging to another sector again. The desire to travel and the social need for leisure activities, joined with demographic and lifestyle changes, to spur the development of economic activities that, taken together, constitute the tourism industry as we know it. Hotels offer their guests passes to health spas and sublet space to craft shops.

## The Composition of the Industry

The tourism industry is made up of all those commercial establishments, large and small, that cater to visitors to some extent. It is supplemented by public activities and facilities that exist for a variety of reasons, ranging from conservation to recreation, including preservation of cultural heritage and the promotion of the arts.

The industry is both capital and labour intensive. Some vital sub-sectors such as transportation obviously require extremely high levels of capital investment that in large part comes from public sources and in Canada, necessitates considerable involvement by the federal government to fulfill its mandate of providing communications across the country. Other sub-sectors such as accommodation and food services must employ large numbers of staff to function effectively.

The reality is that the interrelation among the accommodation and associated sectors plays a vitally important role in the industry. An empty seat in a plane, train, bus, car translates into an empty hotel bed, camping space, an empty seat in a restaurant, at a ball game, theatre, or rodeo. A dissatisfied customer in any of these places along the chain of services to the traveller reflects badly on the entire industry, and may determine the difference between a repeat customer and word of mouth promotion, or a turn-off in business through word of mouth criticism. The convention and hotel complex in Quebec City, the ski resort at Whistler, the very few restaurants and motels on the Cabot Trail are all indispensable. They all make an important contribution to the health of the industry and to the perception of Canada as a tourist destination. They all live with their own economic realities and serve their own specialized markets. Yet they are part of the same tourism spectrum.

## Sales, Distribution and Promotion

The sales and distribution outlets include travel wholesalers/retailers, transportation carriers, department stores and, more recently, even supermarkets. They operate as travel arrangers for those who know where they want to go and as travel consultants and promoters for those who have some or no idea of what they want to do or where to do it. They earn their revenues through commissions paid by the services and facilities frequented by their clients. There are more than 3,200 travel agency outlets alone in Canada. They handle arrangements within and without Canada. Their responsibility is to their client and a visit to any travel agency will illustrate just how preponderant are the availability and promotion of foreign travel packages.

A large proportion of the Canadian and American markets though, still travel by automobile and therefore do not rely on the commercial sales and distribution outlets. For them, the travel pages of newspapers, automobile clubs, the provision of direct travel information services by government travel bureaux and word of mouth serve as the prime promotional vehicles. Publicly funded promotion campaigns and direct travel information take on an added importance for reaching this market.

The sales and distribution functions are supplemented by the communications media including newspaper travel pages, magazines and even television sports specials that are not usually included in a count of tourism industry activities, although they play an important role in promoting foreign, and to a lesser extent domestic, destinations to Canadians. Of course the same type of activity is taking place abroad, where agents for Canadian operators, representatives of provincial governments, and officers delivering the Tourism Program in all Canadian embassies, consulates and trade missions are busy selling Canada. The sales and distribution sector of the Canadian tourism industry is a truly international industry with the Canadian component being the front line of attack in the competition between domestic and foreign destinations for the Canadian trade.

Sales, distribution and promotional activities are by no means restricted to pleasure travel. Delegations from Canadian cities make their way to the headquarters of international organizations seeking their commitment to hold international events ranging from conventions to the Olympic Games in cities that are becoming more and more aware of the importance of the tourist and travel dollar to their communities.

The logic and justification of sponsoring world class international events, such as world cup skiing championships, are obvious when seen from this perspective. That such events result in the endowment of an erstwhile internationally unknown community with the facilities to serve a sophisticated international market is also of great importance. But the success of these facilities and the considerable privately funded commercial facilities associated with them is dependent upon the market's knowing that they exist and on their having a favourable image in the appropriate market.

The importance of the role played by the Canadian promoter of international meetings, competitive and other events as well as incentive and business travel must be given full recognition as a positive contribution to Canada's export sales. The promotion of pleasure travel deserves the same recognition of course. Taken together, these two functions could increase considerably the importance of tourism as a source of foreign exchange which would be to the economic benefit of a very important Canadian industry and so to the economy of the nation as a whole.

## Transportation

The transportation industry is, without question, a key factor in ensuring the viability of the tourism industry. The cost and difficulty of getting to one's destination are of vital importance. The transportation companies, however, can only go where the highways, railways, airports and harbours will permit and all of these transportation and terminal facilities are extremely expensive to build and maintain. With the exception of highways, the federal government, builds and operates these facilities. The need to provide a nation-wide transportation system is a function of the vastness of Canada and the need to serve Canada's own highly dispersed citizenry. The enhancement of the system required to make tourism viable in many areas is marginal, in the sense that improvements to existing facilities will often serve the purpose. That is not to say that "marginal"

enhancement is inexpensive — far from it. The conversion of a domestic airport to an international facility can cost tens, if not hundreds, of millions of dollars as can the upgrading of a one hundred mile stretch of mountain highway. The commercial transportation companies rely heavily on public facilities for their success. They are also constrained by public regulatory controls both at home and abroad. National governments negotiate which airlines will have landing rights at what airports. They also regulate the setting of domestic air fares and the operation of air charters.

The transportation industry includes 27 Canadian air, and five Canadian rail carriers offering scheduled passenger services, 45 Canadian motorcoach companies and two thousand car and recreational vehicle rental outlets. There are also 14 water transport companies specializing in passenger service.

There are several foreign air carriers and shipping companies that Canadians can use to travel abroad. Visitors from other countries can fly into all major metropolitan centres in Canada and Canadians can board foreign flights from each of these same international airports. The transportation sector makes travel, particularly international travel, possible — both ways! Whether the investment in facilities, infrastructure and terminal facilities works to Canada's net advantage depends again on how effectively Canada is promoted as a destination at home and abroad. The economic health of Canada's transportation sector is important in itself but the contribution it makes to the tourism industry is a function of where its passengers are going.

**Accommodation, Food and Beverage Services**

The accommodation and associated food and beverage service sub-sectors are the ground facilities of the industry that cater to customer needs and expectations at interim and final destination points of his or her trip. The quality and price of the services provided and their location, in relation to appealing events and attractions, as well as special purpose facilities, such as convention centres in central business districts, go hand in hand in determining their individual success and that of the combined tourism sector as a whole.

There are over 12 thousand traveller accommodation facilities in Canada ranging from convention hotels to tenting grounds. There are also some 32 thousand food and beverage services including restaurants, fast food outlets, caterers, beverage rooms and night clubs and these figures do not include the restaurants, bars and night clubs operated by the hotels across Canada. Some of these facilities are clustered near major business centres, others at internationally known tourism locations and others are dotted around the countryside.

The importance of the accommodation, food and beverage service sub-sectors of the tourism industry is illustrated by the Statistics Canada estimate that, in 1979, there were 250 thousand, on average, persons employed by hotels, restaurants and taverns with twenty or more employees.

One's perception of the tourism industry is based on either the published statistics or one's own travel experience. For the traveller who is exploring the Canadian countryside, the facts are "small and seasonal". Part time means day and night for ten to twelve weeks. Full occupancy depends on the weather. But the changing demand for tourism services with travellers increasingly taking short

trips to recreation areas near urban centres versus the annual long touring vacation, and the "big" trip being better planned and increasingly to a one-stop multi-facility destination, has shown a lack in areas outside cities of larger full-service hotels or resorts. Both government and industry have been investing significantly in new facilities since about 1978 to close this gap.

The accommodation and associated facilities in rural areas play an important role as image maker to the pleasure traveller through the quality of the service they offer and the access they provide to the country's natural attractions. It is there as well that the operators have to live with the double-edged sword of seasonality. The tourist comes during the traditional summer season so the operator must earn his profit over a very short time. As the schools and universities provide the summer help the operator cannot easily benefit from a lengthening of the season into the shoulder periods that conflict with the school year. The country is dotted with facilities that rely on a fixed summer season to survive. To make these kinds of facilities viable may not be possible in all cases. A move to tourism destination zone planning in Canada will enable the rural areas to be more responsive to the current market trends and improve the possibility of extending the seasonal range of a cluster of facilities of varied sizes in an accessible high potential tourism destination.

In the cities the labour force is more amenable to temporary and part-time employment. Shoulder and off-season business is welcomed as a source of revenue that spreads the costs of operating over a longer period. The business and convention market is a prime source of relatively steady year-round trade. The seasonal peaks are still there but they are peaks, not the sole source of business.

**Associated Services**

Besides the visible sales and distribution outlets, the promoters, the transportation services and the accommodation and food and beverage services, there are the great variety of retail and service establishments that either serve the traveller directly or supply the visible traveller-contact establishments. Curio and smokeshops, craft and china shops, barbers and hair dressers, grocery stores, dockside lobster pounds, department store woollens departments, sports equipment and camping supply stores, are only a few of a great variety of outlets which serve the traveller — often exclusively. Laundries, printers, market gardeners, audio-visual firms, interpreters, secretaries and many other enterprises service the traveller-contact establishments. Entire communities, and all the services that these communities require to survive, exist only to serve the traveller, and in some cases, they exist only for a very few months of the year. The tourist dollar finds its way into every conceivable economic activity.

The operation of a single mine in a remote undeveloped region can create, directly, employment for five hundred people, which supports a community of perhaps seven hundred families, representing a population of maybe three thousand. The mining company may produce ore worth $25 million and pay $10 million in wages and salaries. That payroll can support a community of three thousand because it is spent over and over again on the services that have been established to cater to the original wage-earners — the miners. This same principle holds in the case of any primary industry, such as mining or agriculture,

or secondary industry, such as appliance manufacturing. The services, such as banks, grocery stores and clinics, that spring up to cater to the original wage-earners are classified as "tertiary" industries. They are said to exist only because of the carrying on of some other "productive" activity. Tourism though is a primary industry whose elements are often indistinguishable from the so-called "tertiary" or "non-productive" sector of the economy. The dollars spent on the tourism product are "primary" dollars and the beneficiaries are, to some extent or another, every player in the so-called "tertiary" or service industry.

If the estimate of $16.5 billion spent on tourism in Canada in 1981 was arrived at by tallying the revenues of only those establishments that rely pretty well exclusively on travel, tourism and outdoor recreation for their economic survival, then it is possible that the tourism product generated over $25 billion of personal incomes for Canadians in that year.

The tourism industry's product is complementary. It complements the natural physical and cultural character of the country by making a vast range of activities, events and attractions more or less comfortably accessible to the travelling public. Many of the industry's facilities simply would not exist if there were nothing to do or see nearby.

Canada is fortunate in having much to offer to the traveller. The variety and number of natural attractions and the proximity of its wilderness to well-travelled highways make it a unique tourist destination. Its fresh water resources offer wild rivers for rafting and fishing, countless lakes for aquatic sports and camping, beaches and sites for summer cottage communities or out of the way fishing resorts. In Eastern Canada, the man-made canal system has made many attractive inland regions accessible to water traffic from the Atlantic Coast or the Great Lakes. The salt water resources are equally impressive offering the highest tides in the world a mere 120 km (75 mi.) from the warmest ocean water north of Cape Cod. The Atlantic and Pacific Coasts both boast popular sport fishing and yachting waters of world renown.

The topography is dramatic too: glaciers amongst perpetually snow-capped peaks; desert canyons carved out of the prairies and cliff side trails carved along the ocean waters; endless prairies or evergreen forests — a geographical repertoire to suit any taste, and one that is usually just a short distance from the communities dispersed across the country.

The communities, large and small, dotted along Canada's landscape add a cultural and historical flavour to the natural features. Historical reconstructions, museums, conservation areas, annual festivals, homecomings and fairs abound. The people celebrate their cultural and historical roots with events such as Scottish Highland games, Octoberfests, Klondike days and winter carnivals and with reconstructions such as Acadian, Loyalist and Frontier villages. They also celebrate with such events as the Arctic winter Olympics, potato blossom and lobster festivals and international snowmobile races.

There are over 4,500 incorporated municipalities in Canada and most, if not all, organize an annual event which reflects the community's past and/or present way of life. They capitalize on the countryside's natural features for their own enjoyment and they often count on the visitor to bring out the best in their sense of hospitality. The events they organize, the attractions they construct and

the natural features of the land they occupy are what the tourism product is all about. The tourism industry is the vast array of facilities and services that makes this product accessible to the rest of the country and the rest of the world.

As such, the tourism industry is a real exporter of a Canadian product. In fact, it ranks seventh as a source of foreign exchange. Yet, it has not achieved the statistical maturity that such an important domestic and export industry must reach in order for relevant development and promotion programs to yield the maximum benefit for Canada. This is why the Department of Industry, Trade and Commerce and Statistics Canada are continuing to co-operate in the revision of the Standard Industrial Classification — a revision that will make it possible to measure better the activities of the tourism sector and identify much more accurately its component parts and their contribution to the Canadian economy.

## Development of Facilities and Attractions in the 1970s

The 1970s witnessed an extensive overhaul and expansion of every sector of the industry from transportation to food and beverage service. The tourism industry of the 1980s will be a far cry from that which developed in the 1950s and 1960s.

Investment in hotels, tourist cabins and restaurants averaged over $223 million per year from 1971 to 1977 as compared to $93 billion total during the previous seven year period. The number of hotel rooms, motel rooms and other forms of accommodation grew by 23, 20 and almost 90 percent respectively.

Most of this new development took place in Canada's major cities. The number of urban hotel rooms, for example, grew by about 35 percent as compared to a 14 percent growth in non-urban hotel rooms over the 1970 to 1976 period. This resulted in a good supply of rooms in the cities.

The availability of urban restaurants also increased dramatically in response to a growing resident demand for "dining out" facilities — a demand that led to the expansion of facilities of direct benefit to the tourism industry.

The geographical density of facilities varies considerably among the regions of Canada with a high concentration of facilities per square mile in the Atlantic Provinces and a low concentration in the West. This dispersion points up the distances that must be travelled by tourists to get from one point of interest to another, distances that are greater, on average, than in the United States, Europe and most other major tourist destinations. Many of these countries, however, have attempted to encourage the "clustering" of tourism facilities, reflecting the fact that not all events and points of interest can be developed with equal success. By placing emphasis on developing those destinations showing particular promise, and redirecting government assistance toward them so that the industry's developments meet changing customer expectations, the industry and the country benefit. Rising energy costs are reinforcing the demand for single-destination vacations and strengthening the argument for the clustering of facilities.

A full range of services can, usually, only be provided by larger establishments. The industry's recognition of this had led to a steady growth in the average size of hotels and motels particularly in the urban areas. The largest hotel categories experienced the fastest growth from 1970 to 1975 with the number of hotels with 200 or more rooms, and motels with 50 or more rooms, increasing by 87 and 35 percent respectively.

In rural areas, the resort is the type of facility best able to provide luxury and full service accommodation. Although some resort-type hotels have been built on the outskirts of urban centres, there has not been a significant volume of resort construction in recent years. By and large, Canadian resorts cannot compete in the international travel market with resort facilities in Mexico and the Caribbean where intensive development of new plant has been fostered under formal tourism development policies.

The tourism industry's response to the trend toward outdoor and recreation sport vacations has been much more positive. Between 1970 and 1976, for example, the number of campsites in Canada grew by over 13 percent per year, on average, in response to the strong growth in interest in camping. Over the same period, the accommodation facilities provided by tourist outfitters doubled from 12,500 to 25,000 units. These facilities are generally found in the more remote regions and cater particularly to hunters and fishermen. In contrast, the facilities provided by tourist courts and cabins, which tend to be located in non-urban areas but do not provide the more active pastimes to guests, grew only marginally from 29,000 to 30,000. There has been some facilities development for the outdoor vacationer such as whitewater canoe packages, hiking trails and cross-country ski facilities.

The development of Canadian tourism facilities is continuing with assistance from federal and provincial governments. The important question is, what facilities should be developed here? That question brings into play all of the factors that influence the development and operation of the traditional tourism industry — from interest rates to school breaks. And, however glowing a picture of the Canadian tourism product and industry one may paint, those influencing factors stand out as important considerations in the success of Canada's tourism sector.

# FACTORS INFLUENCING INDUSTRY DEVELOPMENT

## The Need for Capital

The shortage of capital for investment in the tourism industry has been identified as one of the major impediments to tourism industry development. Small accommodation and food service establishments, in particular, are affected because of their relatively low profit levels. Other factors related to their small size have also been identified as being impediments to the availability of investment funds.

Small businesses experience greater variations in profits and cash flow than do larger enterprises. The vagaries of nature and the seasonal character of the product accentuate these variations in the tourism industry. The degree of risk pinned on small operators by the banking establishments is accordingly that of "above average".

Being rated as an "above-average" risk often results in a small business being refused a loan rather than being granted one at a higher rate of interest and/or longer repayment period. The small operator that is so common to the tourism industry therefore pays more for fewer investment funds.

Lack of business knowledge and of management skills also impede the flow of investment funds to the tourism industry. A study carried out by the Canadian Government Office of Tourism showed that small businessmen in the tourism industry were not aware of existing credit sources and did not have a good understanding of the various types of credit available. They also suffered from inadequate documentation of their operations and presentation of their cases.

The Federal Business Development Bank (FBDB) plays a role of lender of last resort providing financial assistance to businesses that have been turned down, in part or altogether, by the traditional lending agencies if these businesses have a reasonable expectation of success. The FBDB places emphasis on the potential borrower's cash flow and ability to repay the loan, an approach that is well suited to accommodation and food service establishments which tend to be highly levered. The FBDB granted close to $200 million in tourism-related loans in 1980 — nearly a quarter of all its lending. It also organizes seminars to assist small business operators to develop their general and financial management skills and disseminates considerable useful information. Nevertheless, the FBDB alone cannot address the full range of financial problems faced by the small business seeking funds to invest in a tourism-related operation.

## Manpower and Skill Requirements

The impact of rapidly rising wages varies among the various sub-sectors of tourism because of the differing degrees of labour intensity characteristics of each. Wages represent a much larger percentage of total costs in the accommodation and food service sub-sectors than in transportation. In 1974, wages and salaries represented 42 percent of hotel receipts excluding the cost of goods for resale. The figure for restaurants is comparable. Increases in wages, therefore, have a significant influence on the costs of accommodation and food services.

Canada experienced a more rapid increase in wages than the United States, which adversely affected the relative Canada-United States cost structure in the tourism industry. The declining exchange rate of the Canadian dollar after 1978

compensated for this relative deterioration resulting in the strengthening of the competitiveness of the Canadian tourism sector relative to that of the United States since 1976.

Wage rates in the transportation industry are almost double those in the accommodation and food service sub-sectors. These higher wages along with the currently high levels of unemployment help in assuring a ready supply of labour to transportation firms. The few shortages that do result are concentrated primarily in the specialized skills and, because of the capital-intensive nature of the industry, do not generally constitute serious constraints to the capacity of the industry.

The situation is different in the accommodation and food service sub-sectors where the 1977 job vacancy rate was almost three times that of the economy as a whole. A study carried out by the government of Ontario in 1979 estimated that there were some 6,000 unfilled jobs in Ontario's food and hospitality industry. This situation existed in spite of the large number of unskilled and other unemployed workers available to fill the jobs. It may be explained by the public perception of prevailing low wage rates in the industry and the industry's poor career image.

The discrepancy between the growing demand for non-urban vacations and the increasing urbanization of the work force has also contributed to the vacancy situation. The Ontario study cited the difficulty experienced by tourism establishments located in outlying areas in their attempts to fill existing vacancies.

The seasonal character of the industry also plays a role in discouraging potential workers from seeking employment in tourism establishments. The non-urban establishments operate for a shorter season than those servicing tourist, business and convention travel in the urban centres. The need to relocate for a short period may discourage many prospective workers, leaving the non-urban operator in a difficult position. The urban-based hotels and other tourism establishments are in a much better position in this regard. They also tend to be larger than their non-urban counterparts and, particularly in the case of chain operations, are more able to offer a prospective employee a career path. Nevertheless, they too suffer from the poor career image that characterizes the industry.

The seasonal character of the industry is reflected in the high rate of short-term or part-time employment. Part-time employees account for over 25 percent of the employment in the acccommodation and food service sub-sectors. This contributes to the industry's recruitment problems but it does have the benefit of providing a source of seasonal employment to students, seasonal workers from other sectors and second wage-earners.

The high rates of staff turnover that go hand in hand with low wages, seasonality and poor image discourage the tourism industry from making any sizeable investment in staff training with the exception of large and/or chain operations. The more than 200 tourism-related courses offered by Canadian post-secondary institutions have not had a sufficient impact on the training levels of employees. It was estimated by the 1979 study undertaken by the government of Ontario that some 20,000 workers employed in the tourism industry had insufficient training. The most apparent need in this regard is to improve the

attitude and the hospitality of the personnel making direct contact with the traveller across Canada.

Manpower problems also extend to the management level of the tourism industry. The lack of management skills is a problem common to small businesses, and hotel and restaurant operators in particular. It is reflected in the operation of establishments, the marketing of tourism services and in the profitability of individual operations, and of the industry.

## Energy and The Travel Deficit

The concern with the price and the security of supply of oil emerged as a major factor influencing both domestic and worldwide economic and travel activities during the 1970s.

The sharp increase in oil prices and the uncertainty with regard to the availability of gasoline resulting from the curtailment of oil exports by OPEC nations in 1973, contributed to a deterioration in Canada's travel account with the United States in 1974. It contributed to an increase in the Canadian Travel Price Index which increased more rapidly than the United States TPI; fear of unavailability of gas in the U.S. contributed to a significant decline in American visitors to Canada which was not arrested until 1980. The major loss of the Canadian tourism industry was in the American automobile travel market.

In 1974, Canada experienced its first deficit on travel account with the United States since 1961. The deficit worsened rapidly until 1978, the year that the value of the Canadian dollar dropped in relation to the United States dollar. The travel account situation was, no doubt, worsened by the increasing availability of cheap air fares and travel packages to the United States and Europe. The advantage of the low exchange value of the Canadian dollar was short-lived coinciding as it did with the second energy crisis sparked by the upheaval in Iran and the general instability in the Middle East.

## Summary

The tourism sector's major problem has been that of establishing an industry that is responsive to the traveller's changing needs while remaining competitive in a highly competitive world market. It has had to face problems of capital shortages, manpower development, short seasons, inadequate facilities, deficiencies in market data, and limited promotional efforts. But the industry and government have been and are working together to solve these problems. Their solution will make a positive contribution to the nation's economy and could also enhance Canada's social and cultural capital.

# THE FEDERAL GOVERNMENT AND TOURISM

## Background

The federal government's involvement in tourism can be traced back to 1887 when Parliament established the Rocky Mountains Park Branch to protect what is now known as Banff National Park. It was a distinctly passive approach in those days and remained that way for four decades.

An earnest beginning in federal tourism promotion began in 1934, when the Canadian Travel Bureau was created. It later became the Canadian Government Travel Bureau and then, in 1973, the Canadian Government Office of Tourism. The original bureau was launched with a staff of three and a budget of $100,000. It worked exclusively out of Ottawa; technology was limited to a few lantern slides; marketing activities consisted mainly of promoting Canada's hunting and fishing to American sportsmen, and "development" was non-existent.

The first field office was opened in New York city in 1951, followed shortly by Chicago and San Francisco. The first Overseas location, London, England, opened in 1963. Then, in a flurry of mid-1960s activity inspired in part by Canada's approaching 1967 Centennial, 14 more offices sprang up in the United States and overseas. In 1975, the first regional offices were opened in Canada to help develop our major market right here at home (approximately three-quarters of our annual tourism income is from Canadians travelling in Canada). The most recent addition to the Canadian string is the St. Johns' office which opened in 1982. In 1980, CGOT's field personnel were integrated into the Trade Commissioner Service, a step designed to increase effectiveness of all federal programs. In 1982, the Trade Commissioner Service was subsequently integrated into the Department of External Affairs.

The year 1967 was a significant one for CGOT and the Canadian tourism industry. Not only did Centennial celebrations from coast to coast and Expo '67 in Montreal help to draw a record 40.5 million visitors from the United States and abroad, but it confirmed what had been believed for some time — that the natural lure of Canada, plus dramatic man-made attractions and industry-wide promotion, could create considerable tourism demand. Not so certain was whether Canadian facilities and services could meet the demand. In short, 1967 made it clear that some aspects of the supply side of Canadian tourism — tourism facilities nation-wide — needed more attention.

This realization led to the creation in 1968, of what was then called the Travel Industry Branch, and today is the Tourism Development Branch of the Canadian Government Office of Tourism.

In 1978 a Treasury Board A-Base review of CGOT was undertaken. Such review recognized the need for a central corporate planning group within CGOT, which assembles and analyzes information for the planning and formulation of policy, identifies future policy problems and objectives, and performs a program evaluation function. There was a recognition that if this central corporate group was to adequately play its role, there was also a need to incorporate within its mandate the establishment of a focal point within CGOT for formal liaison and coordination with CGOT's major contacts, i.e. other government departments, provinces/territories, the private sector, and the international tourism forum. It was out of this review the Policy, Planning and Coordination Branch of CGOT came into being.

Today the federal government is directly involved in the tourism industry as an owner/operator of services and facilities, as a regulator of some aspects of the industry, as a financier and as a consultant.

## Transportation

The federal government plays a major role in the operation of the Canadian transportation system including the subsidization of private carriers, ownership and operation of common carriers and the construction and maintenance of airports and harbours. It also supports other elements of the transportation network such as highways within national parks and on federal lands, and certain extensions of the Trans-Canada Highway. The ferry service on the East coast is operated by a federal crown corporation.

Air Canada will spend $5 billion on new aircraft and equipment in the 1980s. The expansion or renovation of 16 national airports owned and operated by the federal government is planned for the 1981 to 1987 period. Further massive investments in all modes of transportation will be required to finance the design and development of new fuel efficient equipment in this decade.

Transport Canada has announced a program to restructure, revitalize and upgrade the national rail passenger services — VIA Rail — in Canada by diverting a considerable amount of the operating subsidies to a capital expenditure program.

VIA Rail plans to operate ten LRC (light, rapid and comfortable) trains to service the Quebec-Windsor corridor. Additional LRC trains will service Western Canada and the Atlantic Provinces. There is also provision for the modernization of existing diesel engines, improvements in the efficiency of rolling stock for transcontinental services, additions to the locomotive fleet and improvements for travel by handicapped persons. In addition, by late 1982, VIA Rail plans to have completed a rail/car/hotel rental reservations system linking all of its ticketing terminals.

## Regulation of Air Passenger Transportation

In most countries the airline industry is regulated by the national government. In earlier years, regulation was introduced to protect and promote air transportation, domestically and internationally. Today, governments regulate commercial aviation to guarantee access to and from remote communities and to ensure that safety standards are met and that passengers are offered an appropriate level of service at fair rates.

Three types of carriers have been involved in the development of the air transportation network in Canada: the national airlines (Air Canada and CP Air), the regional carriers (Eastern Provincial Airlines, Nordair, Quebecair, Transair and Pacific Western Airlines), and the local service carriers (Great Lakes Airlines, Time Air and others).

Air Canada has been the primary instrument of government policy at the national level. It was required to serve unprofitable "social" routes that is, routes of social importance, and subsidize the resulting losses with the profits realized on other highly remunerative routes. At the regional level, government policy has

mainline operations of Air Canada and CP Air and to provide scheduled service to the North. Each of the regional carriers operates within a defined area within which it enjoys a considerable amount of protection. Government policy restricts the expansion of regional carriers, into markets served by the local carriers, where such expansion might imperil the financial viability of the local carrier.

Pressure for liberalization of the regulatory system emerged in the 1970s from consumer groups and competing private air carriers. As the market for air travel expanded, it became evident that Air Canada was strong enough financially to cope with a greater degree of competition. Charter travel was making travel to the U.S. sunbelt or to Europe relatively inexpensive compared to air travel within Canada.

Deregulation of air transportation policy as it relates to tourism in Canada began with hearings in 1977 on the proposed licensing of Advance Booking Charter flights (ABC's) within Canada. The CGOT presented briefs to the ATC during public hearings to permit charters in Canada that would make travel within Canada at least as price competitive with travel outside Canada. 1978 was the first year of domestic ABC operation. An increasing number of programs based on the ABC concept has been introduced by the major carriers since that time. In April 1979, Transport Canada announced the removal of capacity restrictions on CP Air's operations and by 1980 the two largest carriers were able to compete transcontinentally. In 1979 Wardair was given the right to operate domestic charters. As a result of the liberalization of the regulatory system in the late 1970s and more recently, there has been a marked improvement in the opportunities for domestic leisure air travel.

Major international bilateral air agreements and negotiations will also have a great impact on tourism interests in Canada. As a result of an agreement with the United Kingdom, Western Canada now enjoys direct air services to and from Great Britain. Canada and West Germany have reached a new air transport agreement which will allow Lufthansa to introduce new services to Calgary, Edmonton and Vancouver. Services to Vancouver and to either Calgary or Edmonton may be initiated as early as January 1983. Bilateral negotiations are continuing with the United States.

**Tourism Development Assistance**

Tourism Industry Development Sub-Agreements (TIDSA) are joint federal-provincial instruments for the development of the tourism industry designed to encourage regional economic expansion. The federal share of the costs of TIDSA projects was provided by the Department of Regional Economic Expansion until that Department was merged with Industry, Trade and Commerce to form the new Department of Regional Industrial Expansion (DRIE). The Canadian Government Office of Tourism (CGOT) which was previously part of Industry, Trade and Commerce, provided, and still does from within DRIE, the tourism sector expertise and assistance in negotiating, developing and managing the TIDSA projects. The creation of the new department is intended to provide a more integrated and regionally sensitive approach to economic development and to improve program delivery in the regions through the combination of the industrial, tourism and small business elements of Industry, Trade and Commerce

and the operations and program staff of the Department of Regional Economic Expansion.

The federal contribution to tourism subsidiary agreement projects in six provinces and the Yukon exceeds $120 million to date. Direct public investment in infrastructure, facilities and attractions represents more than 50 percent of costs covered by the sub-agreement in most cases, particularly that of the Nova Scotia and Quebec sub-agreemnts. Financial incentives to the industry are the next most important component of expenditures and these comprise the largest share of the costs in Newfoundland, Manitoba and British Columbia. The sharing of costs also varies from province to province. The federal share varies from 80 to 90 percent in the Atlantic Provinces and from 50 to 60 percent in the other participating provinces.

A further $22 million has been made available under other DREE sponsored programs for provincial projects which have a large tourism component. These include programs in eastern and northern Ontario, the Qu'Appelle Valley in Saskatchewan, the Northwest Territories and Prince Edward Island. Under the terms of the Prince Edward Island Comprehensive Development Agreement, Phase III, CGOT will disburse $5.4 million over 3 years according to a tourism development strategy it has developed for that region. A similar agreement has been announced for south-east New Brunswick and discussions are underway in Quebec, Ontario and Manitoba.

**Financial and Counselling Assistance**

The federal government is also active as a lender and loan guarantor. Loans of up to $75,000 made by commercial banks or other approved lenders to small businesses can be guaranteed under the Small Business Loans Act. These guarantees encourage the lending institutions not to increase the rate of interest charged on smaller loans because of the relatively high administrative costs associated with these, and thereby increase the flow of funds to small businesses. The interest on these loans is set at 1 percent above prime. The CGOT acts in a referral and advisory role with respect to these loans.

The Small Business Bond was introduced by the federal government in 1979 as a tax measure designed to reduce the interest costs of qualifying small business corporations. Because interest paid on a Small Business Bond is treated as a dividend, banks and other financial institutions will not incur a tax liability on the interest received in respect of SBB obligations. This means that borrowers can realize substantial interest savings. The program was extended to unincorporated as well as incorporated businesses in extreme financial difficulty in 1981.

Direct financial assistance is also available from federal sources. The Federal Business Development Bank offers five types of financial services but of particular importance to tourism is the provision of direct term loans to businesses, emphasizing smaller enterprises. FBDB loan approvals approached $500 million in 1979/80 of which some 23 percent or $198.7 million was directed to the tourism industry. In 1980-81, tourism loan approvals decreased to $117 million, but still represented 24 percent of the total amount of loans authorized in that year. The CGOT acts in a referral and advisory role with respect to these loans.

The FBDB functions as a lender of last resort for small businesses and is of great importance to the tourism industry because of the conditions under which it will extend credit. The FBDB unlike most if not all conventional lenders does not require its loans to be fully secured. Its practices are sufficiently flexible to accommodate businesses involved in seasonal activities. Contrary to established practice, the interest rate levied on smaller loans is marginally lower than that charged for larger loans.

Besides its financial or banking role, the FBDB also offers professional support to small business through its Counselling Assistance for Small Enterprises (CASE) program. The CASE program provides a consultant service at a nominal cost for the purpose of assessing current business practices or evaluating new business opportunities, specifically in the small business sector. These activities are well suited to the needs of the tourism industry. In 1979/80, 14,560 assignments were undertaken, of which 11 percent were tourism related.

**Tourist Facilities, Attractions and Services Under Direct Federal Responsibility**

Parks Canada manages a system of 29 national parks, 67 national historic parks, some 600 national historic sites and 11 heritage areas. The parks administration owns and licences a number of tourist accommodation facilities including fully-serviced campsites, cabins, hostels, motels, hotels and wilderness campgrounds. Serviced facilities owned by the federal government are normally operated by local entrepreneurs on the basis of concession agreements. There are also many privately owned accommodation facilities operating within national parks which are licensed according to Parks Canada's standards.

The national parks offer a variety of year-round outdoor recreational programs ranging from cross-country skiing to mountain climbing, wind surfing, canoeing and summer and winter camping. Parks Canada's information and interpretation program includes publications, guided tours, hikes and film and slide shows, which greatly enhance the visitor's appreciation and enjoyment of the parks. It also stages special events to bring the historical significance of the parks and historical sites to life.

The Department of Fisheries and Oceans, besides managing the tidal sports fisheries in British Columbia, which are a major tourist attraction in that area, convenes biennial sports fishing conferences, owns and operates fisheries research stations and laboratories which are open to tourists, organizes nationally co-ordinated surveys of sport fishing in Canada and carries out research on the effect of acid rain on sport fishing in Canada.

The Department provides further support to the tourism industry through its Small Craft Harbours Directorate which maintains 800 structures across Canada for the use of small recreational harbour craft. The directorate encourages the development of additional public facilities for recreational boaters, and builds breakwaters and/or dredges public areas. The Department may also construct wharves and/or landing ramps in areas with tourism potential under the Tourist Wharf Program.

## Manpower: Training and Employment Assistance

While the Canadian Employment and Immigration Commission (CEIC) does not have a specific policy with respect to tourism, most of its programs and activities relate directly to and serve the Canadian tourism industry. Manpower training, job creation programs, counselling and other employment services are of direct benefit to the tourism industry and meet an important need.

The CEIC administers several job creation programs which are designed to further certain national and regional priorities, one of which is tourism development. The Canada Community Development Project (CCDP) gives funding priority to proposals relating to the tourism industry. Some 350 projects of this nature were funded across Canada in the first year of the program and the emphasis on tourism is expected to be maintained.

The CEIC's Summer Canada: Student Employment Program operating during the peak tourist season, is also expected to promote tourism development. The CGOT received approval for $1.1 million for the 1981/ 82 fiscal year to enable it to carry out more than 50 tourism projects across the country under this program.

The CEIC's placement services, which are used extensively by hospitality employers, recently introduced their Metropolitan Order Processing System (MOPS) to the Montreal area. This automated placement system, which matches workers with jobs, has been functioning successfully in Vancouver, Hamilton, Ottawa-Hull and Toronto. On the national level, the CEIC's National Job Bank is reconciling skilled labour shortages with worker surpluses across the country.

The Portable Wage Subsidy Program and the Program for the Employment of the Disadvantaged, while not specifically designed for the tourism sector are available to the industry to the benefit of both workers and employers.

Besides these and other job creation and/or placement programs, the CEIC administers manpower training programs. A preliminary identification of training courses to be supported by the federal government is made by federal/ provincial Manpower Needs Committees in each province, composed of representatives of provincial departments of labour and education, representatives of industry and labour and the CEIC. In 1980-81, this process resulted in the purchase of some 2,540 courses related to the food, beverage, accommodation and travel industries.

The courses involved over 9,900 trainees, with 3,739 seats purchased for programs in educational institutions and 6,172 in courses in industry. This level of training involved costs of $11.8 million — 4.2 million for institutional and 7.6 million for industrial courses — tourism-related industries.

Industry and government however have agreed that there is still a need to rationalize the overall approach to manpower training in the tourism and hospitality sector and to develop a comprehensive National Tourism Manpower Strategy for the 80s.

## Labour Matters

Because of the labour intensity of tourism-associated activities, labour policies have had a significant impact on this sector. The measure which has perhaps had the greatest impact is the legislation of minimum wages. In most provinces,

minimum wage legislation does not provide for an adjustment of the minimum wage in relation to gratuities received by workers, despite the fact that these are a significant source of income to many in the industry. Since the earnings of a large proportion of those employed in the industry are set at, or scaled to, the minimum wage, the wage costs in absolute terms and relative to total business overhead costs, have increased considerably as a result of increases in the mininum wage.

Statutory holiday legislation has also had a considerable bearing on industry performance. This legislation requires premium payments, varying among the provinces from time-and-a-half to double-time-and-a-half, for work done during these holidays. These premium payments for labour have significantly reduced profitability, and frequently result in a reduction in the level of service offered by Canadian tourism establishments on key business days. With the trend towards more long weekend vacations, the effects of statutory holiday premium wage payments will grow more acute.

Labour standards and minimum wage legislation, are almost entirely under provincial jurisdiction; similarly, corrective action is primarily within the provincial power. The federal government though, has a responsibility to inform the provincial authorities of the overall effect that its policies have on the tourism sector nationwide. This combined federal-provincial concern was successfully pursued in 1977 when it became apparent that minimum wages in Canada were higher, and increasing more rapidly, than those in the United States.

Recently a federal restraint program has limited federal public service pay increases to 6 percent and 5 percent until 1984. The provincial public service and the private sector have been strongly urged to follow this example in an effort to curb inflation.

**Energy and Fiscal Matters**

The foregoing illustrates that the federal government is an important participant in the tourism sector. In fact, it is directly involved, if we can consider crown corporations as government, in every phase and every level of the tourism process. Its own policies and programs, carried out in the pursuit of the general social and economic well-being of the country as a whole, influence its own tourism associated activities as well as the activities of the other major players in the tourism sector. Federal taxation, energy, manpower and employment policies are particularly relevant to this sector. The CGOT acts as the federal focus for influencing these policies to consider their impact on tourism.

The National Energy Program is designed to maintain blended crude oil prices at a maximum ceiling of 85% of world prices, thereby helping to keep costs in Canadian industry on par or below those of its competitors. Increased energy prices have increased transportation costs, resulting in travel closer to home particularly by automobiles and shift to more efficient mass modes of transportation for longer distances. This has underlined the need for the clustering of tourism facilities, services and attractions. The impact of rising energy prices on tourism can be influenced through energy policy (including price, conservation and allocation considerations), transportation development policy as well as regulatory and industrial adjustment policies.

The federal government's fiscal policies are also of fundamental importance to the tourism industry. The difficulty in defining tourism statistically has meant that under current taxation policy legislation and regulations, tourism is not recognized or treated as an industry in its own right. Consultations by CGOT with the industry in 1978 led to a wide range of tax recommendations and follow-up discussions which indicated a need for an in-depth review of the impact of taxation on tourism. An interdepartmental taxation committee chaired by CGOT involving ITC, Finance, in an advisory capacity, and other relevant departments has been set up to carry out a formal government review of this issue and the recommendations.

**A Shared Responsibility**

Both federal and provincial governments are actively supporting tourism. Provincial governments also operate parks, finance tourism development projects, and undertake marketing programs but do so only for their own provinces.

The focus here is on explaining the federal commitment to the development of a vital sector of the Canadian economy. The CGOT provides the effective leadership and coordination of federal/provincial/ private sector efforts in the development and marketing of Canadian tourism products, both domestically and internationally.

CGOT has carried out federal-provincial/territorial consultations on tourism policies and programs for over three decades through annual Conferences of Tourism Ministers and Deputy Ministers. Currently it also meets bi-annually with the provinces/territories to better coordinate tourism marketing priorities and initiatives.

Federal-provincial sector liaison occurs institutionally via the Tourism Industry Association of Canada (TIAC) on a regular basis through its Government Liaison, Marketing, Development and Research Committees. A Government-TIAC Advisory Committee was established in 1978 with federal, provincial/territorial and private sector representation charged with making recommendations annually on tourism marketing and development strategies. CGOT also maintains liaison with the more specialized tourism-related associations, e.g. Canadian Restaurant and Food Service Association and major entities in the Canadian tourism industry, e.g. Air Canada, C.P. Air, VIA Rail.

An excellent example of federal/private sector consultation occured in February 1978 when First Ministers initiated a process of consultation with the private sector on ways to improve the performance and outlook of Canada's economy. In this process, the Minister of Industry, Trade and Commerce established the Tourism Industry Consultative Task Force (TICTF), which reported and made recommendations to federal, provincial/territorial Ministers of Tourism on the tourism industry. After extensive and in-depth consultations with the private sector (TICTF 1978, Government-Tourism Industry Association of Canada Advisory Committee, and Working Groups 1979, 1980), with provincial and territorial governments (Federal-Provincial Conferences of Tourism Officials and Ministers 1978, 1979, First Ministers' 1978 Conferences), Tourism Ministers accepted the need to address the structural weaknesses facing the industry, and

the market opportunities, as well as the four priority areas identified by TICTF for government action, development of a National Tourism Plan (NTP), clarification of roles of government in tourism, improved coordination among governments and the private sector, and the establishment of a data base on tourism.

First Ministers also agreed to collaborate in a national campaign to expand the domestic tourist industry by increased travel promotion, by expansion and improvement of facilities, and by minimizing costs to both Canadians travelling at home and foreign visitors.

# THE OUTLOOK FOR TOURISM IN THE 1980s

Current patterns of leisure, recreation and tourism, in Canada and the world over, are undergoing change at a pace previously unmatched in the history of the tourism industry. The "travel booms" of the 1960s and 1970s, facilitated by rising incomes and rising expectations, have given way to the travellers of the 1980s, who continue to place high priority on travel, but are forced to cope with a recessionary and uncertain economic environment. These new travellers are more diverse in their interests, more discriminating, more demanding and more value conscious.

As the market changes with these new attitudes towards travel, so are the economic, the socio-demographic and the technological environments changing, and new developments in each of these areas have an impact on the tourism outlook for the 1980s.

## Influencing Factors

i) *Canadian Economy*

Major factors which will influence the tourism industry in the short-term include inflation, consumers' disposable incomes, and the international value of Canadian currency.

Most economic analysts predict inflation rates of 8 percent and 12 percent in the medium-term. This will continue to accentuate market divisions between upper wage earners and middle wage earners.

Hotel and transportation companies will increasingly differentiate between first class and economy class travellers. We can expect the travel industry actively to pursue clientele in the non-price-conscious market. The business traveller market should continue to grow, though slowly, through 1985, and will continue to attract the attention of all sectors of the tourism industry.

During the next few years, shrinking disposable incomes will place emphasis on value for money, strengthen the popularity of budget travel, speed the proliferation of high volume outlets for discounted travel; and boost the demand for all inclusive tours and packaged travel.

ii) *Energy*

Rising energy costs have directly affected the tourism industry, causing transportation and service costs to increase fueling inflation, decrease discretionary incomes, increase the importance of financial considerations to the travel decision and influence the pace of technological advancement.

In the medium term to 1985, no dramatic changes in world energy prices, such as those experienced in 1973/74 and 1979/80, are expected because consumer demand will not continue to grow as it has in the past, other and alternate energy sources should help diminish the western industrial powers' dependence on Middle East oil. However, global energy prices will increase and this signals a number of changes in the tourism industry.

The auto industry will continue to undergo massive realignments and travellers will increasingly use the automobile for short distances. They will gradually shift to mass transportation modes as the most energy efficient way

of reaching medium and long distance destinations. However, North Americans will not quickly change their preference for the mobility, flexibility and convenience of the private automobile, and this may temper the short-term growth potential of public transportation.

Because of the high costs of fuel and the rising costs of automobiles, people will turn increasingly to rental cars or mass mode transport at their destinations for use during their entire vacations. For this reason, packaged intermodal travel, i.e. fly/ drive, and even bus/drive will gain popularity.

The price of air travel is expected to continue to rise and this should flatten the industry's growth curve. Discount airfares are now an established marketing tool in Canada, used to fill up empty seats, provide extra revenue, and stimulate new traffic.

Travellers will increasingly take short trips to recreation areas near urban centres as opposed to the annual long vacation. The "big" trip will be planned better and will increasingly be to a one-stop multi-facility destination. This, together with the changing use of the automobile, will lead resort planners to tie their complexes more closely to bus, train and airline services.

iii) *Socio-Demographic Factors*

*Regional disparities:* one of the most significant Canadian migration trends will be the continuing redistribution of population to Western Canada. The youthful consumer will increasingly dominate the West. The population redistribution may create a supply/demand imbalance between more established regions where the tourism infrastructure has been relatively well developed but is likely to experience declining demand, and newer growing regions where the tourism infrastructure may be insufficient to meet growing demand.

*Aging population:* the elderly will continue to be one of the fastest growing segments of the Canadian population. This market presents considerable potential for the tourism industry because many of the elderly have money to spend, and still enjoy good health.

*Changing household structure:* due to the decline in the number of traditional family households, and the increase in the number of two-income households, the importance of the traditional family vacation is diminishing, relative to other types of vacations. Weekend travel will continue to grow rapidly at the expense of more traditional longer vacation trips, as households with two incomes become more common, and scheduling coinciding vacation periods for both wage earners more difficult. The demand for vacations which facilitate social interaction among singles will become increasingly stronger.

*Role and status of women:* the number of women in the work force has been increasing and will continue to do so. Working women have more money and less time than those who do not work, and this has served to alter the nature of the travel experiences they are seeking. For example, hotel security is a

prime consideration for the woman traveller, and cleanliness is very important as is the attitude of hotel staff towards women travelling alone. Advertising must be tailored to the female traveller.

iv) *Psychological Factors:*

The values of the 1950s have changed and evolved over the 1960s and 1970s. There is a search for self-fulfillment and self-expression outside the work sphere. During the 1980s travellers will increasingly be seeking diversion, adventure, the unsystematic, the new and different, and the exotic. Relief of the stress of modern day living is becoming increasingly sought after, as well as enrichment through cultural experience and physical activity. Travellers are becoming more discriminating, more demanding of quality, value, reliable information and physical safety.

v) *Legal:*

Consumers will become more demanding of protection against unreliable information and this could become a major burden to the travel industry if it fails to deliver the advertized experience or product. They will also be seeking increased protection in terms of bonding, and increased provincial protection against default and bankruptcy of travel product distributors.

# REALISTIC PROSPECTS

Tourism experts predict a doubling in world spending on international tourism by the end of the 1980s. Given the dramatic, changing, environment of the tourism industry in the 1980s, we can ask, "What does this imply for Canada's international travel receipts and payments and spending by Canadians travelling in Canada?"

The Canadian Government Office of Tourism has produced what it considers to be a realistic forecast to 1978 based on the following assumptions using the Box-Jenkins forecasting model: Canadian GNE in real terms, 2.6 percent; CPI in Canada, 11.0 percent; Canadian dollar in U.S. currency, 84.0 percent; U.S. GNE in real terms, 2.4 percent; CPI in U.S.A., 10.5 percent; GNE in OECD countries, 2.0 percent; CPI in OECD countries, 10.0 percent; British pound strengthening to 2.40 Canadian. The assumption sees the Canadian economy growing stronger but without much change in the overall rate of inflation.

At least in the medium term the following factors will continue to influence travel to and within Canada: industrialized nations will continue to battle the recessionary times. Inflation has been considered the number one concern, and the major vehicle for containing it has been a tight monetary policy, i.e. high interest rates. This has resulted generally in lower growth rates, and a decline in personal disposable incomes and consumer demand. In Canada, in accordance with the National Energy Plan, energy prices will continue to rise, inflating the cost of travel. Demographically, in all markets there will be a shift from populations dominated by youth towards a population dominated by older age segments. These people can generally better afford to travel and are becoming increasingly more psychologically disposed to international travel.

**Growth of Expenditures on Travel in Canada**

| Expenditure of: | 1982-87 Real Average Annual Growth |
|---|---|
| U.S. travellers in Canada | 0.60% |
| Overseas travellers in Canada | 4.90% |
| Total Foreign | 2.10% |
| Canadian travellers in Canada | 0.50% |
| All travellers | 0.90% |

In the domestic market, the growth of the very large resident travel component is expected to increase, although at a slower rate than in the late 1970s, at a rate of 0.50 percent real average annual growth compared with the 6.0 percent real average annual growth rate in 1971-78. Recessionary pressures and rising energy costs will contain further growth. The U.S. market on the other hand is expected to rebound somewhat from the declines experienced during 1971-78 of -2.40 percent real average annual growth rate to 0.60 percent. This turn-around can be partially attributed to the increased attractiveness of the Canadian travel product and the continued price competitiveness of the Canadian dollar. The brightest growth scenario will continue to be the overseas market which will grow at a real average annual growth rate of 4.90 percent down

somewhat from the phenomenal 14.85 percent growth experienced between 1971-78. The increasing sophistication and international competitiveness of the Canadian tourism product and increased accessibility to Canada's West from Europe will contribute to the continued growth of this market over this period.

# A NATIONAL TOURISM PLAN

In February 1978, the First Ministers initiated a process of consultation with the private sector on ways to improve the performance and outlook of Canada's economy. As part of this process, the Minister of Industry, Trade and Commerce established the Tourism Industry Consultative Task Force (TICTF), which reported and made recommendations to federal, provincial and territorial ministers of tourism on the tourism industry. After extensive and in-depth consultations with the private sector, and with provincial and territorial governments, the Tourism Ministers accepted the need to address the structural weaknesses facing the industry and the market opportunities opening up to it, as well as the four priority areas identified by the TICTF for government action: Development of a National Tourism Plan; clarification of the roles of government in tourism; improved coordination among governments and the private sector; and the establishment of a data base on tourism.

The First Ministers in turn, agreed "to collaborate in a national campaign to expand the domestic tourist industry by increased travel promotion, by expansion and improvement of facilities, and by minimizing costs, both to Canadians travelling at home and to foreign visitors".

These measures, complementing as they do the considerable development and investment activities that characterized the 1970s, attest to the recognition by the industry and governments of the importance of the tourism product to Canada's economy and the magnitude of the challenge facing the Canadian tourism sector.

The TICTF recommendations and the Ministerial decisions resulted in immediate and effective action particularly with regard to the areas of role definition and coordination. The Tourism Industry Association of Canada (TIAC) has been recognized at the federal level as the spokesman for the industry and, as such, participates on a joint government-industry committee grouping representatives of the federal and provincial governments. The joint committee presents its recommendations to the Conference of Canadian Tourism Officials (CCTO), comprised of the deputy ministers reporting to tourism ministers across Canada which, in turn, makes recommendations to the Federal/Provincial Conference of Tourism Ministers. The chairman of the joint committee, in his capacity as Assistant Deputy Minister, Tourism, in the Department of Industry, Trade and Commerce, is the chief officer of the Canadian Government Office of Tourism (CGOT). The CGOT has been assigned the federal responsibility for tourism policy and provides leadership and interdepartmental coordination on all tourism matters. It is the focal point for tourism at the federal level.

There is quite clearly a need for an agency that can trace the thread linking together the very diverse interdependent elements of an industry as complex and dispersed as that of tourism in Canada. The efforts expended by the many players in the tourism sector, as they strive to enhance the image of Canada or its regions, increase the foreign and domestic markets' awareness of their choice of destination, promote the development of new and existing facilities in various parts of the country and lobby for, or pursue the adoption of tourism supportive policies and programs must be at least known, and preferably coordinated and oriented, to the maximum advantage of the industry and the country as a whole.

The objective of the Canadian Government Office of Tourism expressed as that of "sustaining the orderly growth of tourism" is clearly of great importance to an equally important Canadian industry.

The extent of the federal government's commitment to a vigorous Tourism Sector Strategy is reflected in the comments made by the Minister of State for Small Business and Tourism in a 1981 address to the TIAC and the subsequent approval given by the Federal Cabinet to a comprehensive Tourism Sector Strategy. The Minister told the TIAC meeting:

> "As Minister of State for Small Business and Tourism, here are a number of initiatives that I intend to bring in front of my Cabinet colleagues. These include, for the near future, the following:
>
> First, we are going to have to put increased emphasis on a sustained tourism marketing campaign, including the development of special promotional packages stressing identified priority markets and market segments. We have to identify and develop a niche in the global market, not only in terms of attracting Americans, French, Germans, Italians or Japanese, but also in convincing Canadians to holiday in their home-land. The industry and the association could and will assist in this most important endeavour.
>
> Second, we are going to have to take a more selective and targeted approach to tourism support and development activities, tailoring such programs to specifically address the opportunities and constraints in strategically identified tourism destination zones.
>
> Third, we are going to have to improve the coordination of federal and provincial tourism policies through closer working relationships based on recent agreements as to delineation of federal and provincial roles, as well as closer working relationships between my Department and the Department of Regional Economic Expansion, and a more active Federal Interdepartmental Committee on Tourism.
>
> Finally, we are going to have to pursue measures to generate a more relevant and useful data base for the tourism sector including information on industry performance, facilities, travel markets and manpower supply.
>
> These thoughts, only part of the substance of what we refer to as the Federal Tourism Sector Strategy which will become an integral part of the future National Tourism Plan for Canada, are being taken in front of my Cabinet colleagues. I will seek their concurrence and support for the approval of the whole package as policy, together with additional resources necessary to permit us to get on with the job."

Getting on with the job is the responsibility of the Canadian Government Office of Tourism.

# THE CANADIAN GOVERNMENT OFFICE OF TOURISM

The Canadian Government Office of Tourism (CGOT) is the federal agency responsible for maintaining the orderly growth of tourism in Canada. It falls under the jurisdiction of its parent department, Regional Industrial Expansion (DRIE).

The Assistant Deputy Minister, Tourism, through the Deputy Minister, DRIE advises the Minister on policy and operational matters relating to tourism. Responsiblity for tourism has been delegated to the Minister of State (Small Business and Tourism), an associate of the Minister of DRIE.

CGOT's objectives are: to increase the demand for travel facilities and services; expand and increase the efficiency of Canada's tourism industry; co-ordinate tourism-related activities with other federal departments, the provincial/territorial tourism departments and private industry; and, to provide and maintain a centre of information on tourism.

CGOT has two branches, Tourism Marketing and Tourism Development, each headed by a Director General. The corporate lead in CGOT is provided by the Policy, Planning and Coordination group which advises the Assistant Deputy Minister and provides the total outlook for the tourism sector, the basic policy and planning thrusts for CGOT, coordinates its major activities and provides the data base for its policy and program activity. Administrative Services serves all of CGOT and reports directly to the Assistant Deputy Minister.

*The Policy, Planning and Coordination (PP&C)* group provides corporate direction through policy formulation, in-depth analysis and evaluation of tourism programs and research data. It advises senior management and the Ministers on the future direction of the tourism program, the policy issues and the type of responses required to relate to concerns of the industry. The people here are also responsible for ensuring that continuing consultation and coordination among governments and industry are maintained. They are the chief negotiators at the senior levels of government on behalf of the tourism program.

One of PP&C's most important current activities is to fulfill CGOT responsibilities vis-à-vis the National Tourism Plan.

The CGOT was asked by federal and provincial Ministers of Tourism to spearhead the development of a National Tourism Plan together with provincial and territorial governments and in consultation with the private sector and, through both direct and supportive action, pursue:

> the optimization of the socio-economic benefits to the citizens of Canada from the marketing and development of tourism both to and within Canada, taking into account:
>
> - the enhancement of the quality of life and development of the community;
> - the conservation of the natural environment of the country; and
> - the preservation of the nation's cultural heritages.

There are four constituent parts of the Policy, Planning and Coordination Division, Policy Formulation, Research and Analysis, Planning Analysis and

Evaluation, and the Coordination Secretariat. There is also at present Regional Policy Representation in Atlantic Canada.

The subject and activity of the *Policy Formulation* group is clearly framed in the three principal objectives set out for it. These are:

i) to plan, develop, negotiate and recommend policy and policy positions for CGOT;

ii) to provide a focal point for input to, and influence on, the formulation of federal legislation, regulations and policies governing the tourism industry to favour its orderly growth and development and enhance its competitiveness; and

iii) to provide advice and support to senior management for the purpose of establishing CGOT corporate policy.

This group is initiative oriented. It is responsive or proactive to situations and proposals of other departments and the private sector. It reviews and develops policy for a comprehensive Tourism Sector Strategy. It also conducts a policy portfolio analysis which is largely a review and analysis of the effect or impact of other policy areas on tourism.

A major accomplishment of this group was the development of the federal Tourism Sector Strategy which outlined the major problems and opportunities facing the Canadian tourism industry and the federal strategy for addressing and optimizing these to 1985. The resultant Cabinet Committee for Economic Development award of $9 million over fiscal years 1981-82, 1982-83, and 1983-84 allows for added thrusts within this strategy.

Policy formulation has also established contact with VIA Rail and Transport Canada with respect to the rail mode, to ensure tourism considerations are reflected in any technical matters, route changes, equipment aspects and service patterns. This group is also working to ensure a more active tourism reflection in bilateral air negotiations.

The acid rain situation is being monitored closely by this group to determine by what manner, and to what extent, this threat is affecting tourism.

The energy situation and its impact in terms of supply, price and allocations has been an active policy portfolio responsibility of policy formulation, resulting in a major Energy and Tourism Report and continuing CGOT, EMR and private sector discussion.

This group has also initiated major studies of key issues affecting tourism: Taxation — an attempt to evaluate the relative competitiveness between Canada and U.S. accommodation sectors, and to determine the relative importance of taxation in hotel/resort investment decisions; Consumer Expenditures in the 1980s — a forecast of consumer tourism expenditures in the late 1980s.

Policy Formulation is also particularly active in providing the corporate lead in determining the framework and direction of the federal tourism strategy with respect to the interface between the newly formed Department of Regional

Industrial Expansion and the Department of External Affairs, and other government departments and agencies.

In the *Research and Analysis* area of PP&C the emphasis is on the production of comprehensive and timely reports related to tourism supply and demand, together with analysis of trends and forecasts on which meaningful policy and program decisions can be formulated at both corporate and program levels, internal and external to CGOT. Indicative of activities undertaken, are tracking studies to determine changes taking place in both Canadian and U.S. markets, market probe studies, attitudinal motivational studies, and maintenance of a package tour inventory.

New resources are being devoted to the expansion of the quarterly Canadian Travel Survey administered in co-operation with Statistics Canada's Labour Survey, which monitors domestic travel by Canadians as well as the exploration, with representatives of the provinces and the industry, of the best ways and means of collecting and compiling data on Canadian travel attitudes and motivations.

Of particular significance is Research and Analysis' continuing discussion with Statistics Canada regarding the tourism elements of the Standard Industrial Classification (SIC). This is the code for identifying the industry that a specific activity is said to belong to. A code that, to date, doesn't recognize tourism as an industry. Amendment of the SIC to better reflect tourism will mean a significantly improved measurement of the tourism industry's performance and its contribution to the Canadian economy will be possible.

Additional recent activities include: a U.S. Market Potential Study still in process; market probes in U.K., France, Netherlands, Italy and Mexico; minor probes to determine share of market, awareness and appeal of Canada were completed for the Belgium, Denmark, Finland, Spain, Ireland, Austria, Norway, Sweden, Greece, Brazil, Colombia, Venezuela, Israel, Hong Kong, Singapore and New Zealand. At present four market probes are planned for 1982/83 for West Germany, Switzerland, Australia and Japan.

*Planning, Analysis and Evaluation (PAE)* provides input to the corporate policy making decision process by keeping abreast of, and interrelating, tourism demand and supply considerations, by determining how programs in existence or to be formulated best relate to overall Tourism Program objectives and how they might be priorized. The determination of program achievement against objectives set, and provision of program evaluation expertise on CGOT endeavours are prime activities.

Planning activities include developing a planning guide for CGOT, an analysis of existing planning documents, completing the establishment of existing planning documents, completing the establishment of a Tourism Operational Planning System and monitoring its effective use, and responsibility for final CGOT input to documents required by federal central agencies, such as an annual Strategic Overview, Program Expenditure Plan and Multi-Year Operational Plan.

Evaluation activities include developing an evaluation plan to direct the next five years of evaluation work in CGOT, an examination of previous evaluation work and development of evaluation guides for development and promotional projects.

Analysis activities include preparation of "Issue Analysis" papers to ensure thorough, informal discussion on key tourism issues.

The *Coordination Secretariat* of PP&C is the mechanism for continuing consultation and coordination amongst governments and industry which is responsible for establishing appropriate liaison and consultation at the federal level through an Interdepartmental Committee on Tourism (IDCT); on a federal-provincial basis through the Conference of Tourism Ministers; on a federal/private sector basis through the Conference of Canadian Tourism Officials (CCTO) and the Federal/Provincial Conference of Tourism Ministers; on a federal/private sector basis through the Government/TIAC Advisory Committee, TIAC, and other tourism associations directly as appropriate; and on an international basis with such organizations as the World Tourism Organization (WTO), OECD, Pacific Area Travel Association (PATA). Assistance with conference logistics, preparation of agenda, briefings (Prime Minister/Minister/ Officials, working papers, responses to international questionnaires, Federal/Provincial, inter/intradepartmental interface, V.I.P. visits (protocol, hospitality), and secretariat services for senior management are the principal activities undertaken.

**Regional Policy Representation**

At present, CGOT has Regional Policy Representation only in Atlantic Canada. The CGOT senior representative is concerned with: working with Atlantic Canada provincial tourism departments in the development of their provincial and regional marketing/development strategies and programs; integration of regional tourism initiatives into a National Tourism Plan (NTP).

*The Administrative Services* is responsible for the general administrative management of CGOT's resources. It also manages a comprehensive Tourism Reference and Data Centre which is accessible to the general public, the tourism industry and government; coordinates CGOT's activities vis-à-vis the Department of External Affairs and its Country Program Assessment System with respect to short and medium range resource and operational planning; and designs and implements CGOT's professional career development and training programs.

The *Tourism Marketing Branch* has the enviable task of selling the world (including Canadians) on Canada as a travel destination. The branch is divided into three Marketing Field Operations divisions (Canada, the United States and Overseas), Special Markets Division and Marketing Communications Division.

The Marketing Field Operations divisions are responsible for providing functional and program direction to the tourism marketing program domestically and abroad. In 1980, CGOT's field personnel were integrated into the Trade Commissioner Service, a step designed to increase effectiveness of all federal programs abroad. In 1982 the Trade Commissioner Service was subsequently integrated into the Department of External Affairs.

While CGOT traditionally markets Canada as a travel destination to two broad groups — consumer and the travel trade — the Special Markets division of the Tourism Marketing Branch is designed to give concentrated attention to selected high-potential markets. This group is concerned with four main areas: Meetings and Incentive Travel; Awareness and Attitude (to impress upon Canadians the importance of the tourism industry and the need to be friendly to visitors); Special Projects (which handles marketplaces and other special events); and Special Markets Development, which determines special groups (e.g. young people, senior citizens) that offer the greatest potential for special attention in the future.

The Communications Division, which includes Advertising, Public Information and Promotional Production, supports all CGOT marketing programs. These are the people who put the words and pictures together, in whatever format, to sell Canada. They are also responsible for providing relevant tourism information to Office of Tourism personnel and to the public and private sectors. They give communications support to the Tourism Development Branch, and other divisions of CGOT.

CGOT is involved in, or embarking on, a number of programs that will have positive immediate and longer term effects on the performance of the tourism sector.

The Federal Cabinet has directed CGOT to develop and implement a Corporate Communications Program for Tourism intended to raise the Canadian public's awareness of the social and economic importance of tourism in Canada. CGOT Marketing branch is spearheading this activity.

This program will include an assessment of attitudes regarding tourism's contribution to the Canadian economy and Canadians, followed by the development of a media program to highlight the importance of the tourism sector to Canada. The media program will also focus on the need for Canadians to be hospitable to visitors.

CGOT's Marketing branch, charged with the responsibility for increasing total effective demand for Canadian travel, facilities and services, aims CGOT's marketing program at identifying specific target groups in markets of high potential for travel to and within Canada, increasing the awareness of Canada as a travel destination through a marketing communications program designed specifically for each market and encouraging travel trade intermediaries to develop Canadian package tours and to sell Canada as a travel destination through a program of travel trade activities implemented by Canadian tourism specialists at home and abroad.

The thrust of the marketing program in all geographical markets will include a direct approach to the consumer and the development of marketing activities aimed at travel trade intermediaries. All marketing activities will highlight popular travel experiences available in Canada. CGOT will take the initiative by encouraging industry partners to join selective promotional programs.

With regard to the Canadian market, CGOT will contribute technical and/or financial marketing assistance to specific projects where the marketing component is part of a federal direct delivery program. It will promote travel

opportunities in Canada through a year-round advertising campaign weighted in favour of the spring, autumn and winter seasons and deliver consumer messages highlighting activity and urban vacation experiences and emphasizing mini and weekend vacations. CGOT will operate a nation-wide consumer travel information service, fully co-ordinated with other levels of government, and it will target all marketing activities to Canadians who have a high propensity for foreign travel in order to encourage them to travel in their own country.

With regard to the United States market, CGOT's marketing efforts will be directed to two broad geographical regions. The marketing focus in the North — within 600 miles (1,000 km) of the Canadian border — will be on selling distant destinations based on mass modes of travel to those of above-average income while the emphasis will be on selling south-north automobile travel to those of average or below average income. Efforts will be concentrated in the highly populated regions of New England, Mid Atlantic, East North Central and West North Central. The marketing focus in the South — 600 miles (1000 km) or more, south of the Canadian border — will be on selling any and all Canadian destinations to those of above-average income concentrating on major population centers with good air links to Canada. In general, marketing in the United States market will focus on specific Canadian travel products and will be aimed at well identified target-markets while maintaining acceptable levels of general awareness of Canadian travel experiences. Efforts will be made through direct marketing to increase Canada's share of automobile travellers from the northern United States particularly during the summer months. And, winter activities will be promoted directly to appropriate target groups while the "warm interior" cultural urban experiences of Canadian cities will be promoted before a broader audience.

Marketing in the overseas market will highlight vacation experiences sought by overseas target groups which Canada delivers best. CGOT will maintain the tourism program's marketing thrust in seven proven geographical markets — Great Britain, Germany, Japan, France, The Netherlands, Australia and Mexico — while increasing the tourism programs' marketing activities in emerging markets such as Switzerland, Scandinavia, Italy, South America, New Zealand and Hong Kong.

CGOT intends to direct part of its marketing efforts to the special markets as well, with emphasis on meeting and incentive travel as well as the youth market. Marketing activities aimed at the meeting and incentive markets will be intensified in several American cities and extended to several others. Research into the European congress, convention and incentive travel markets will be expanded. A "Sell Canada" program to encourage partners to join selective promotional programs will be undertaken and efforts will be made to educate the Canadian tourism industry on opportunities in the meeting, convention, congress and incentive travel markets worldwide.

No matter how sophisticated and imaginative a marketing program might be, it is only as good as its product. *The Tourism Development Branch* is concerned with Canada as a travel product as a whole, and with the ingredients of that product, such as attractions, facilities and services. The objectives of the branch are to ensure that Canada has the best product of its kind, that it is

competitive and that it is in enough supply to meet the demand generated in the marketplace.

The men and women who work here consult with Tourism Marketing planners on programs and assist industry, provinces/ territories and municipalities in the development of areas and activities that show promise.

Tourism development officers across Canada are responsible for co-ordinating liaison between CGOT and the provinces/territories.

Main tourism sectors studied are: Events and Attractions; Manpower, Education and Training; Financing and Feasibility; Transportation Carriers; Accommodation and Food Services; and Leisure, Recreation and Special Projects. Staff in each sector are responsible for maintaining and studying an inventory for that sector, determining any problems, and working with others in the industry to solve them.

Facilities and attractions, in many parts of the country, are now being improved as a result of a number of Canada/Province/ Territories Tourism Sub-Agreements. The Department of Regional Industrial Expansion, and most of the provinces/territories, are working together on cost-shared tourism-related projects designed to stimulate the economy and generate jobs.

The federal government has identified a need to better investigate national industrial development objectives with those of regional development. Discussions at the federal level regarding the differing mandates of the Department of Regional Economic Expansion and the Department of Industry, Trade and Commerce reached a turning point with the recently announced amalgamation of the two departments. As well, the signing of Phase III of the PEI Comprehensive Development Plan marks the new federal approach to the delivery of federal economic programs in the provinces. The Agreement inaugurates direct federal delivery of tourism development programs and will serve as the basic model replacing that of TIDSA's in the future.

The new approach to the delivery of federal regional development programs will enhance CGOT's role in the development of the Canadian tourism plant and, more importantly, will enable the federal government to achieve greater uniformity in terms of national standards and criteria than has heretofore been possible.

The current endeavour to develop a National Tourism Plan and to undertake "a national campaign to expand the domestic tourist industry..." is, as was stated earlier, the result of the acceptance by all Canadian governments of the priority recommendations made by the Tourism Industry Consultative Task Force.

The development of a general framework for improved tourism planning and development requires an assessment of existing tourism products, the identification of the type of tourism products that the market wants now, and in the future, and the integration of relevant information on product and market trends in order to analyze geographic destinations with respect to marketability and development potential.

To achieve this, CGOT will be assembling an inventory system which will display, analyze and assess tourism inventory by sector and by geographic location. A product/market matching model is also being designed as part of a computerized information system which will integrate and analyze tourism

inventory. The system will provide in-depth data to provinces, other federal government departments and the private sector regarding the current distribution and mix of facilities by area and type. It will help identify areas where development should take place in response to estimated market demand.

The computerized capacity to handle, integrate and access tourism product and market information in a timely manner is essential to the identification of tourism destination zones.

CGOT will use the inventory and information system to review, assess and determine priority tourism destination zones in Canada, identifying zones that currently meet the market demand and those that have potential for future development.

It will also undertake investment/financing studies to determine how tourism investment decisions are made and the role government can and should play in stimulating private and public financing of tourism development projects. Studies will also be made of particular investment opportunities in specific areas such as ski and resort developments.

In short, through the development of a framework for tourism planning and development, the federal government will identify areas of opportunity for private sector investment, provide a focus for federal programming that affects tourism and establish a base for discussion with the provinces/territories on future tourism development.

The framework will serve as a guide for orienting federal assistance for tourism development assistance, which may take the form of the provision of information regarding areas of high potential for tourism development, the funding of feasibility studies to determine the viability of a proposal, the provision of financial assistance to the private sector for modernization or expansion of existing facilities, or for the development of new facilities, or the provision of financial assistance to municipalities and developers for the construction of infrastructure (water, sewer, power and access) in areas of prime tourism development potential.

Such assistance programs will be based upon the economic needs of a specific region including such considerations as employment creation and the tourism sector's potential contribution to meeting these needs. The federal focus will be on proposals involving international quality tourism products.

# CONCLUSION

Canada is a composite of specifics, made up of provinces and territories, rural areas and urban centres each with its own distinct flavour and diversity. This important economic and social activity we call tourism provides Canadians and our visitors with an opportunity to explore new places, to meet new people as well as ourselves. Travel is a bridge between people, which makes a valuable contribution to the Canadian economy, employs more than one million Canadians, involves governments at all levels and affects the lives of all Canadians in one way or another. It is important that we all work together to develop the potential and enjoy the fruits of this exciting industry.

**TABLE 1**

**DOMESTIC AND FOREIGN TRAVEL EXPENDITURES IN CANADA**
**1972 TO 1981**
**($ millions)**

| | Resident Travellers | | U.S. Travellers | | Overseas Travellers | | Foreign Total | | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % | $ | % | $ |
| 1972 | 3,878 | 75.9 | 1,023 | 20.0 | 207 | 4.0 | 1,230 | 24.1 | 5,108 |
| 1973 | 4,700 | 76.5 | 1,160 | 18.9 | 286 | 4.6 | 1,446 | 23.5 | 6,146 |
| 1974 | 5,694 | 77.1 | 1,328 | 18.0 | 366 | 5.0 | 1,694 | 22.9 | 7,388 |
| 1975 | 6,700 | 78.7 | 1,337 | 15.7 | 478 | 5.6 | 1,815 | 21.3 | 8,515 |
| 1976 | 7,300 | 79.1 | 1,346 | 14.6 | 584 | 6.3 | 1,930 | 20.9 | 9,230 |
| 1977 | 8,000 | 79.8 | 1,525 | 15.2 | 500 | 5.0 | 2,025 | 20.2 | 10,025 |
| 1978 | 8,668 | 78.5 | 1,650 | 14.9 | 728 | 6.6 | 2,378 | 21.5 | 11,046 |
| 1979 | 9,395 | 76.5 | 1,881 | 15.3 | 1,006 | 8.2 | 2,887 | 23.5 | 12,282 |
| 1980 | 11,400 | 77.3 | 2,121 | 14.4 | 1,228 | 8.3 | 3,349 | 22.7 | 14,749 |
| 1981 | 12,790 | 77.4 | 2,491 | 15.0 | 1,252 | 7.6 | 3,743 | 22.6 | 16,533 |
| Average Annual Increase | (14.2%) | | (10.4%) | | (22.1%) | | (13.2%) | | (13.9%) |

TABLE 2

SPENDING BY INTERNATIONAL TRAVELLERS IN COUNTRY OF DESTINATION
AS REFLECTED BY THE ESTIMATES OF THE BALANCE OF PAYMENTS ON
TRAVEL ACCOUNT BETWEEN CANADA AND OTHER COUNTRIES
($ millions)
1972 TO 1981

| | United States | | | Overseas | | | Total abroad United States plus Overseas | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spending by United States visitors in Canada | Spending by Canadian visitors in United States | Net | Spending by Overseas visitors in Canada | Spending by Canadian visitors Overseas | Net | Total spending by international travellers in Canada | Total spending by Canadians travelling abroad | Net |
| 1972 | 1,023 | 919 | + 104 | 207 | 545 | -338 | 1,230 | 1,464 | -234 |
| 1973 | 1,160 | 1,073 | + 87 | 286 | 669 | -383 | 1,446 | 1,742 | -296 |
| 1974 | 1,328 | 1,196 | + 132 | 366 | 782 | -416 | 1,694 | 1,978 | -284 |
| 1975 | 1,337 | 1,587 | -250 | 478 | 955 | -477 | 1,815 | 2,542 | -727 |
| 1976 | 1,346 | 1,956 | -610 | 584 | 1,165 | -581 | 1,930 | 3,121 | -1,191 |
| 1977 | 1,525 | 2,280 | -755 | 500 | 1,386 | -886 | 2,025 | 3,666 | -1,641 |
| 1978 | 1,650 | 2,553 | -903 | 728 | 1,531 | -803 | 2,378 | 4,084 | -1,706 |
| 1979 | 1,881 | 2,457 | -576 | 1,006 | 1,498 | -492 | 2,887 | 3,955 | -1,068 |
| 1980 | 2,121 | 2,920 | -799 | 1,228 | 1,657 | -429 | 3,349 | 4,577 | -1,228 |
| 1981 | 2,491 | 3,213 | -734 | 1,252 | 1,676 | -424 | 3,743 | 4,889 | -1,158 |
| Average annual growth rate | 10.4% | 14.9% | | 22.1% | 13.9% | | 13.2% | 14.3% | |

SOURCE: Statistics Canada, Travel between Canada and other countries, Catalogue nº 66-201.

TABLE 3

INTERNATIONAL TRAVELLERS ENTERING OR RETURNING TO CANADA
STAYING ONE OR MORE NIGHTS IN COUNTRY OF DESTINATION
(thousands)
1972 TO 1981

| | United States | | Overseas | | Total abroad United States plus Overseas | |
|---|---|---|---|---|---|---|
| | United States residents entering Canada | Canadians returning from United States | Overseas residents entering Canada | Canadians returning from Overseas | Foreign residents entering Canada | Canadians returning from abroad |
| 1972 | 13,067 | 8,696 | 745 | 1,094 | 13,812 | 9,790 |
| 1973 | 13,523 | 8,673 | 930 | 1,292 | 14,453 | 9,965 |
| 1974 | 12,735 | 8,556 | 1,068 | 1,312 | 13,803 | 9,868 |
| 1975 | 12,499 | 9,812 | 1,164 | 1,420 | 13,663 | 11,232 |
| 1976 | 11,658 | 10,955 | 1,359 | 1,582 | 13,017 | 12,537 |
| 1977 | 11,451 | 11,845 | 1,222 | 1,777 | 12,673 | 13,622 |
| 1978 | 11,277 | 11,660 | 1,412 | 1,809 | 12,689 | 13,469 |
| 1979 | 10,909 | 10,516 | 1,676 | 1,757 | 12,585 | 12,273 |
| 1980 | 10,963 | 11,238 | 1,822 | 1,585 | 12,785 | 12,823 |
| 1981 | 10,968 | 10,838 | 1,843 | 1,478 | 12,811 | 12,316 |
| Average annual growth rate | -1.9% | 2.48% | 10.6% | 3.4% | -0.8% | 2.6% |

SOURCE: Statistics Canada, Travel between Canada and other countries, Catalogue nº 66-201.

TABLE 4

INTERNATIONAL TRAVEL TO AND FROM CANADA
SELECTED CHARACTERISTICS — 1972 and 1981

| | United States | | | | Overseas | | | | Total abroad: United States plus Overseas | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | United States visits to Canada | | Canadian visits to United States | | Overseas visits to Canada | | Canadian visits Overseas | | Total international visits to Canada | | Total Canadian visits abroad | |
| | 1972 | 1981 | 1972 | 1981 | 1972 | 1981 | 1972 | 1981 | 1972 | 1981 | 1972 | 1981 |
| Total number of visits (millions) | | | | | | | | | | | | |
| Visits of one or more nights | N/A | 39.8 | N/A | 33.6 | N/A | 2.1 | N/A | 1.5 | N/A | 41.9 | N/A | 35.1 |
| Number of visitors (millions) | 13.1 | 11.0 | 8.7 | 10.8 | 0.7 | 1.8 | 1.1 | 1.5 | 13.8 | 12.8 | 9.8 | 12.3 |
| Total spending in country visited (excluding international fares) (millions of $) | 854. | 1,851. | 735. | 2,487. | 146. | 815. | 400. | 1,157. | 1,000. | 2,666. | 1,135. | 3,644. |
| Average length of visit (days) | 4.4 | 4.7 | 7.8 | 7.1 | 16.8 | 13.7 | 28.0 | 21.8 | 5.1 | 6.0 | 10.1 | 8.9 |
| Average spending per visitor ($) | 65. | 169. | 84. | 230. | 196. | 442. | 366. | 783. | 72. | 207. | 116. | 297. |
| Seasonal breakdown of visits (%) | | | | | | | | | | | | |
| First quarter | 8 | 10 | 16 | 21 | 8 | 9 | 22 | 31 | 8 | 10 | 17 | 22 |
| Second quarter | 24 | 26 | 23 | 25 | 26 | 29 | 23 | 23 | 24 | 27 | 23 | 25 |
| Third quarter | 54 | 50 | 43 | 36 | 48 | 48 | 37 | 28 | 54 | 50 | 42 | 35 |
| Fourth quarter | 14 | 14 | 18 | 18 | 18 | 15 | 17 | 18 | 14 | 13 | 18 | 18 |
| Major reasons for visit (%) | | | | | | | | | | | | |
| Business, convention and employment | 8 | 12 | 14 | 13 | 16 | 14 | 7 | 13 | 8 | 12 | 9 | 13 |
| Visiting friends or relatives | 17 | 18 | 22 | 24 | 34 | 42 | 22 | 32 | 18 | 21 | 23 | 25 |
| Other pleasure, recreation or holiday | 66 | 64 | 55 | 56 | 25 | 27 | 50 | 46 | 63 | 59 | 50 | 55 |
| All other reasons | 9 | 6 | 9 | 7 | 25 | 17 | 21 | 9 | 11 | 8 | 8 | 9 |

SOURCE: Statistics Canada, Travel between Canada and other countries, 1980, Catalogue nº 66-201.

**TABLE 5**

**INTERNATIONAL TRAVEL ACCOUNTS FOR OECD MEMBER COUNTRIES***
(millions of United States dollars)

**TRAVEL RECEIPTS**

| | Canada | | United States | | Other OECD | | Total |
|---|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % | $ |
| 1972 | 1,218 | 6.2 | 2,717 | 13.8 | 15,745 | 80.0 | 19,680 |
| 1973 | 1,304 | 5.4 | 3,412 | 14.3 | 19,169 | 80.2 | 23,885 |
| 1974 | 1,499 | 5.8 | 4,032 | 15.9 | 19,890 | 78.2 | 25,421 |
| 1975 | 1,534 | 5.0 | 4,839 | 15.8 | 24,318 | 79.2 | 30,691 |
| 1976 | 1,641 | 5.0 | 5,806 | 17.7 | 25,395 | 77.3 | 32,842 |
| 1977 | 1,616 | 4.0 | 6,164 | 15.2 | 32,866 | 80.8 | 40,646 |
| 1978 | 1,722 | 3.4 | 7,186 | 14.1 | 41,984 | 82.5 | 50,892 |
| 1979 | 2,009 | 3.3 | 8,335 | 13.7 | 50,634 | 83.0 | 60,978 |
| 1980 | 2,284 | 3.3 | 10,100 | 14.4 | 57,554 | 82.3 | 69,938 |
| Average annual increase | (8.2%) | | (17.8%) | | (17.6%) | | (17.2%) |

**TRAVEL PAYMENTS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1972 | 1,450 | 7.1 | 4,944 | 24.4 | 13,907 | 68.5 | 20,301 |
| 1973 | 1,435 | 5.5 | 5,526 | 21.2 | 19,038 | 73.2 | 25,999 |
| 1974 | 1,608 | 5.9 | 5,973 | 21.8 | 19,760 | 72.3 | 27,341 |
| 1975 | 2,063 | 6.2 | 6,417 | 19.4 | 24,646 | 74.4 | 33,125 |
| 1976 | 2,589 | 7.3 | 6,856 | 19.2 | 26,212 | 73.5 | 35,661 |
| 1977 | 2,829 | 6.8 | 7,451 | 18.0 | 31,133 | 75.2 | 41,413 |
| 1978 | 2,968 | 5.6 | 8,475 | 15.9 | 41,841 | 78.5 | 53,284 |
| 1979 | 2,739 | 4.2 | 9,413 | 14.5 | 52,807 | 81.3 | 64,959 |
| 1980 | 3,121 | 4.2 | 10,385 | 13.9 | 61,058 | 81.9 | 74,564 |
| Average annual increase | (10.1%) | | (9.7%) | | (20.3%) | | (17.6%) |

* Excludes Ireland, Iceland, Turkey, New Zealand and Portugal; excludes international passenger fares.

TABLE 6

CANADIAN SHARE OF AMERICAN INTERNATIONAL TRAVEL DOLLAR 1972 TO 1981

| | Spending by United States visitors in Canada in millions of Canadian dollars | Value of United States dollar in Canadian funds | Spending by United States visitors in Canada in millions of United States dollars | Spending by United States visitors in OECD member countries in millions of United States dollars | Canadian share of United States International travel spending (%) |
|---|---|---|---|---|---|
| 1972 | 1,023 | 0.9905 | 1,032 | 4,944 | 20.9 |
| 1973 | 1,160 | 1.0010 | 1,159 | 5,526 | 20.9 |
| 1974 | 1,328 | 0.9780 | 1,358 | 5,973 | 22.7 |
| 1975 | 1,337 | 1.0173 | 1,314 | 6,417 | 20.5 |
| 1976 | 1,346 | 0.9861 | 1,347 | 6,856 | 19.6 |
| 1977 | 1,525 | 1.0635 | 1,434 | 7,451 | 19.2 |
| 1978 | 1,650 | 1.1402 | 1,447 | 8,475 | 17.1 |
| 1979 | 1,881 | 1.1715 | 1,605 | 9,413 | 17.0 |
| 1980 | 2,121 | 1.1690 | 1,814 | 10,385 | 17.5 |
| 1981 | 2,491 | 1.20 | 2,076 | | |
| Average annual increase | (10.4%) | | (8.1%) | (9.7%) | |

**TABLE 7**

**COMPARISON OF CANADIAN AND UNITED STATES TRAVEL PRICE INDICES (TPI) AND AVERAGE SPENDING PER VISITOR, BY YEAR**

| | Canadian TPI | United States TPI | Average spending by United States visitors to Canada | | Average spending by Canadian visitors to United States | |
|---|---|---|---|---|---|---|
| | | | Number of visits (thousands) | Average spending per visit | Number of visits (thousands) | Average spending per visit |
| | | | | ($) | | ($) |
| 1972 | 105.6 | 102.3 | 13,067 | 65.40 | 8,696 | 84.50 |
| 1973 | 114.0 | 108.2 | 13,523 | 72.40 | 8,673 | 97.20 |
| 1974 | 129.2 | 123.9 | 12,735 | 85.70 | 8,556 | 104.10 |
| 1975 | 146.8 | 133.3 | 12,499 | 88.30 | 9,812 | 126.80 |
| 1976 | 158.0 | 141.3 | 11,658 | 91.00 | 10,955 | 140.90 |
| 1977 | 169.6 | 155.9 | 11,451 | 104.30 | 11,845 | 153.00 |
| 1978 | 183.0 | 169.1 | 11,277 | 115.30 | 11,660 | 177.50 |
| 1979 | 200.0 | 195.3 | 10,909 | 136.50 | 10,516 | 181.20 |
| 1980 | 225.4 | 235.6 | 10,963 | 145.40 | 11,238 | 202.30 |
| 1981 | 261.3 | 266.0 | 10,968 | 169.00 | 10,838 | 230.00 |

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